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Number 215

Egypt

An Export Market Profile

George R. Gardner
John B. Parker

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Abstract

The United States, the leading supplier of Egypt's massive food imports, will continue to be a major supplier to that \$4-billion annual market if favorable financing arrangements continue to be available. U.S. exports to Egypt, primarily wheat and wheat flour, make up about 25 percent of the value of food imported into Egypt. By 1990, with continued rapid population growth and only slight income gains, Egypt will probably import over 8 million tons of wheat and flour (compared with 6.4 million tons in 1983); 4 million tons of corn (1.7 million tons in 1983); 1 million tons of sugar (716,000 tons in 1983); 500,000 tons of vegetable oil (330,000 tons in 1983); and 500,000 tons of meat (255,000 tons in 1983).

Keywords: Egypt, agricultural imports, agricultural production, agricultural policies, consumption policies, food subsidies, wheat imports, trade policies, import projections.

Preface

Expanding the market for U.S. agricultural exports is a major goal of the U.S. Department of Agriculture (USDA). The Economic Research Service in cooperation with the Foreign Agricultural Service is preparing export profiles for a number of high-potential markets for U.S. agricultural products. The Economic Research Service is USDA's major source of agricultural and trade information on foreign countries and regions, while the Foreign Agricultural Service has the key role in helping U.S. agriculture further increase exports in world markets.

This report presents information on the prospects for U.S. agricultural exports to Egypt. The study surveys basic factors underlying agricultural supply and demand, presents longrun projections of food and agricultural trade, and suggests opportunities for export expansion. The report is intended for officials responsible for export market development programs, the agribusiness community, and the general public. The profile will also help identify information gaps and can serve as a basis for subsequent evaluations of the effects of market extension activities. Similar profiles have been or will be prepared for selected markets in Africa and the Middle East, Asia, and Latin America.

Conversion Chart

This report uses metric units throughout:

1 metric ton = 2,204.62 pounds

1 hectare = 2.471 acres

1 kilometer = 0.621 mile

1 Egyptian pound (£E) = 100 piasters

= \$1.21 (official rate)

= \$1.43 (Central Bank rate)

= \$0.72 (free market rate, mid-1985)

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Summary

The United States, the leading supplier of Egypt's \$4-billion annual import market, will remain a major supplier if favorable financing arrangements continue to be available. U.S. exports to Egypt, primarily wheat and wheat flour, make up about 25 percent of the value of food imported into Egypt. By 1990, with continued rapid population growth and only slight income gains, Egypt will probably import over 8 million tons of wheat and flour, up from 6.4 million tons in 1983; 4 million tons of corn, up from 1.7 million tons in 1983; 1 million tons of sugar, up from 716,000 tons in 1983; 500,000 tons of vegetable oil, up from 330,000 tons in 1983; and 500,000 tons of meat, up from 255,000 tons in 1983.

Egypt's prosperity of the last decade has allowed per capita consumption of many commodities to increase rapidly. This increased per capita consumption, coupled with rapid population growth and a lagging agricultural sector, has led to a decline in agricultural self-sufficiency. Government programs to fill this food gap have led to increasingly larger imports of basic commodities, including wheat, wheat flour, corn, vegetable oils, meat, sugar, dairy products, and pulses. The U.S. share of this market has usually ranged around 25 percent, with the European Communities (EC) generally the second largest supplier. Other significant competitors include Australia and Brazil. U.S. exports to Egypt are mostly wheat, wheat flour, and corn, while the EC supplies a variety of high-value and bulk commodities.

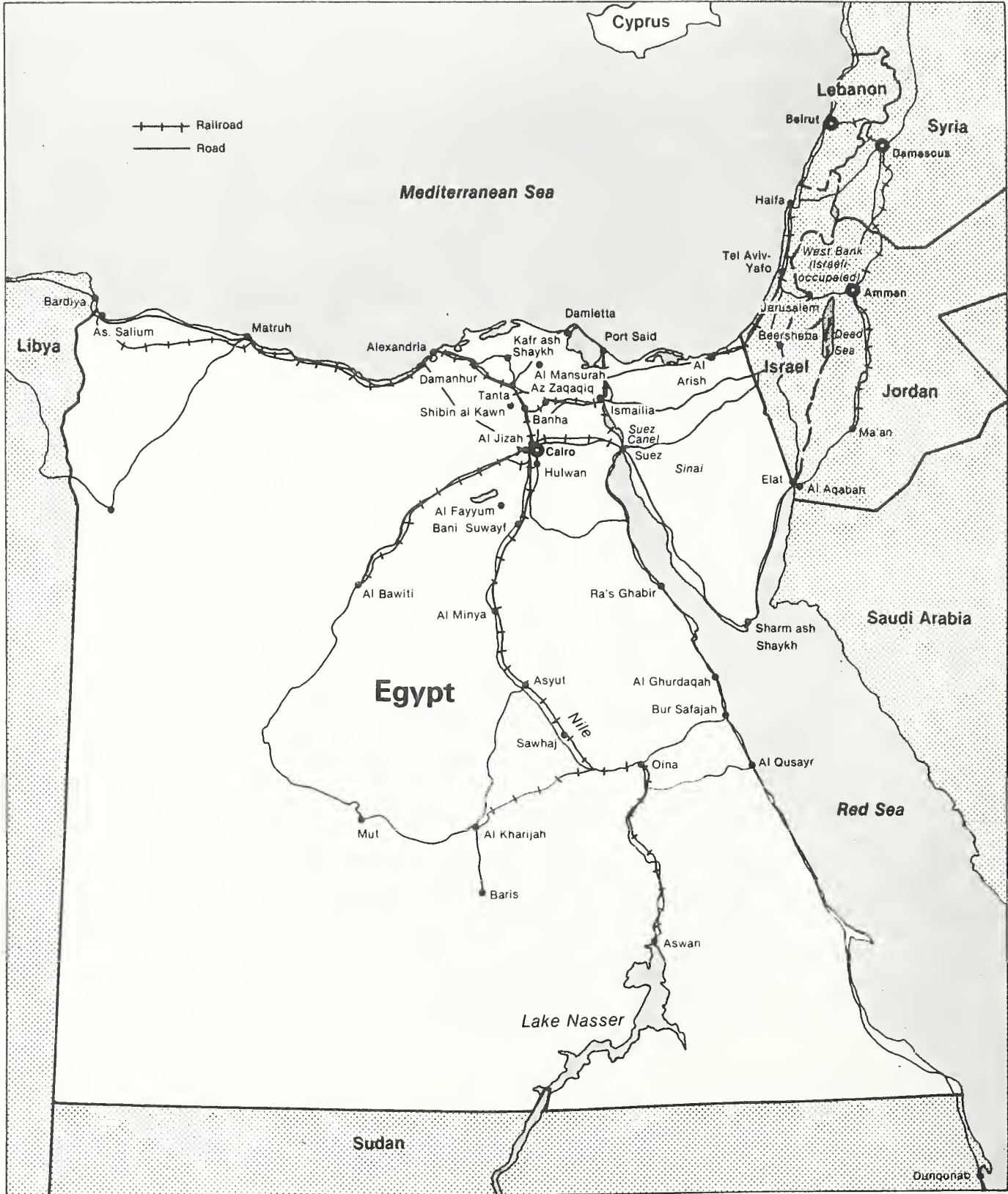
Agricultural production has not kept pace with the demand generated by rapid population growth, currently about 2.8 percent annually, and rapidly increasing per capita consumption of many basic commodities. Almost all arable land is already farmed intensively, and attempts to expand croplands through reclamation of desert areas have largely been nullified by urban expansion.

During recent years of adequate foreign exchange derived primarily from petroleum exports, food imports grew rapidly. However, tighter foreign exchange earnings and the strong U.S. dollar now mean that Egypt's access to concessional financing will largely determine the future market shares of Egypt's principal suppliers. By 1990, even with only slight increases in income and per capita consumption, the combination of population growth and lagging agricultural production will assure the continued growth of food imports. If the United States is to maintain or expand its share of this large and growing market, new financing arrangements will probably be necessary; Egypt's foreign exchange position will probably not improve soon. Egypt's main sources of foreign exchange—money sent by Egyptians working in other countries, Suez Canal tolls, and tourism—are all highly vulnerable to fluctuations in the world economy.

Abbreviations

ARE	Arab Republic of Egypt
CAPMAS	Central Agency for Public Mobilization and Statistics, ARE
CCC	Commodity Credit Corporation
CIP	Commodity Import Program of USAID
CY	Calendar year
EC	European Communities
FAO	Food and Agriculture Organization of the United Nations
FY	Fiscal year (the Egyptian fiscal year is July 1 to June 30)
GAFI	General Authority for Foreign Investment and Free Zones, ARE
GASC	General Authority for Supply of Commodities, ARE
GSM-5	General Sales Manager 5 (direct credit program for exports operated by CCC)
GSM-102	General Sales Manager 102 (export credit guarantee program operated by CCC)
IFPRI	International Food Policy Research Institute
IMF	International Monetary Fund
IRC	Import Rationalization Committee
OPEC	Organization of Petroleum Exporting Countries
PIK	Payment in Kind
PL 480	Public Law 480 (Food for Peace)
USAID	U.S. Agency for International Development

Egypt



Egypt: An Export Market Profile

George R. Gardner and

John B. Parker*

Introduction

Egypt has become one of the world's major food importers during the last decade. A net exporter of food less than two decades ago, Egypt now imports about half of the food needed to feed its 47 million people. Underlying the phenomenal growth of food imports are improved economic conditions associated with the return to a peace-time economy, increasing population growth rates, an extensive food subsidy program, and a lagging agricultural sector.

Egypt's annual population growth rate increased from about 2.1 percent in the early seventies to more than 3 percent by 1979, moderating only slightly to about 2.7 percent by 1982. Egyptian consumers were simultaneously enjoying increased purchasing power derived from a return of peace; their average diet improved to more than 3,000 calories daily, a 20-percent increase in less than a decade. Meanwhile, the Nation's overall agricultural production stagnated. The food deficit has been made up by ever-increasing imports of most basic commodities, especially grains, meats, vegetable oils, sugar, pulses, and dairy products.

In 1983, Egypt displaced Japan as the third largest wheat and flour importer in the world after the Soviet Union and China. Thus, Japan, with a population of 119 million, imported 5.8 million metric tons while Egypt, with 47 million people, imported 6.4 million metric tons. Egypt has been the world's third or fourth largest wheat market each year since 1979.

Overall, agricultural imports grew from an average of \$310 million annually during 1971-73, to about \$3.8

billion annually during 1981-83, to over \$4 billion in 1984. Wheat and wheat flour alone cost over \$1 billion, while imported corn, vegetable oils, meats, sugar, tobacco, and dairy products contributed over \$250 million each to the import total. During the last decade, imports of wheat, corn, vegetable oils, and meat have registered the sharpest increases.

Objectives of this study are as follows:

- To analyze recent trends in Egypt's importation of agricultural commodities, identifying and analyzing key underlying factors including the performance of the agricultural sector, macroeconomic trends, consumption policies and trends, demographic changes, and trade policies;
- To project import demand for major commodity groups for 1986 and 1990 under alternative assumptions about trends in production, consumption, and income; and
- To identify opportunities and strategies for increasing U.S. agricultural exports to Egypt.

U.S. agricultural exports to Egypt have shown a strong upward trend, although changes in U.S. concessional financing and Egypt's import policies have caused fluctuations along the way. U.S. agricultural exports to Egypt increased from \$44 million in 1972 to a peak of about \$1 billion in 1981, declined 20 percent in 1982, and rebounded to \$970 million in 1983.

Factors Affecting Overall Agricultural Trade

The major factors which affect overall agricultural trade with Egypt include the general economy, population growth, the balance of payments, domestic agricultural production, consumption policies, production policies, and trade policies.

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The General Economy

Egypt's national economy is a mixed one, combining private enterprise with a large measure of Government involvement in virtually every economic sector. The Egyptian Government's development strategy is designed to combine stimulation of the private sector to spearhead growth with a determination to direct public sector resources to meet the basic needs of the most deprived segments of the population.

Egypt's economy has improved considerably during the last 5 years. Major catalysts for growth have been emergence from the wartime economy of 1967-73, the return of the Sinai oilfields, renewed Suez Canal income, expanded opportunities for workers in the Gulf States, and the "Open Door Policy" (an economic policy aimed at fostering trade and investment with Western nations) initiated by President Anwar Sadat in 1974. In recent years real gross domestic product (GDP) growth has averaged about 9 percent annually, up from 4 percent in the early seventies (21, 45).¹ Estimated GDP approached \$35 billion in 1984.

The postwar improvement has brought Egypt into a new economic era of less dependence on agriculture and more on petroleum and services. Growth has been generated by an increase in income and foreign exchange earnings from four sectors: petroleum exports, remittances from workers abroad, tourism, and Suez Canal fees. In fiscal year 1981/82 these sectors brought in about \$8 billion in foreign exchange, compared with less than \$4 billion in 1978. The productive sectors, agriculture and industry (excluding petroleum), have grown slowly and have not contributed significantly to the expansion in GDP (33). The services sector, which includes transportation, utilities, finance, and communications, has grown more rapidly. Since 1975, annual real growth in agriculture has been 2.2 percent, industry and mining (excluding petroleum) 6.2 percent, services 6.8 percent, and petroleum 30 percent (45). Services have surpassed agriculture as the major GDP contributor, providing over 20 percent of the total (tables 1 and 2).

The economy continues to operate basically within the centrally managed framework established during Presi-

dent Gamal Abdel Nasser's administration (1953-70), although the Open Door Policy has allowed for increased private and foreign investment. Many industries, including a number of food processors, textile companies, import-export activities, local banks, insurance companies, and mines, are still Government-managed. The agricultural sector is overseen by the Government with production of certain primary crops closely regulated, although some recent changes have given farmers more planting flexibility.

Table 1—Estimates of gross domestic product by sector, 1981/82-83/84¹

Sector	1981/82	1982/83	1983/84 ²
<i>Million Egyptian pounds</i>			
Commodity-producing sectors	10,118	10,891	11,798
Agriculture	3,742	3,855	3,965
Industry and mining	2,670	2,863	3,130
Petroleum	2,668	3,056	3,500
Electricity	128	144	158
Construction	909	973	1,045
Production services sectors	5,569	5,927	6,289
Transportation, communica-			
tions, and storage	1,161	1,233	1,313
Suez Canal fees	630	640	656
Trade	2,430	2,600	2,790
Finance and insurance	1,119	1,209	1,265
Hotels and restaurants	228	245	265
Social services sectors	3,634	3,845	4,073
Real estate property			
(housing)	373	399	430
Public utilities	54	59	64
Social and personal services	810	851	892
Social security	28	30	32
Government services	2,370	2,507	2,655
Gross domestic product			
at factor cost	19,320	20,663	22,160
<i>Percent</i>			
Overall growth rate	8.6 ³	7.0	7.2

¹In 1981/82 prices.

²Projected.

³Compound annual rate from 1977 to 1981/82.

Source: (9).

¹Italicized numbers in parentheses refer to literature cited in the Bibliography at the end of this report.

In 1981 the public sector in the Egyptian economy accounted for 40 percent of total employment, 54 percent of value added to goods, 60 percent of total expenditure, and 70 percent of total investment, according to official statistics (32).

Since the initiation of the Open Door Policy in 1974, the Government has slightly liberalized the industrial sector, with individual enterprises having more control over their management, imports, and export sales. While Government-owned enterprises still account for about 75 percent of the total value of output, the private sector's share of the total has expanded since the midseventies. The "own exchange" system is an innovation which has allowed private individuals and firms to use foreign exchange earned abroad for their own imports, but the opening of the economy to private and foreign investment has brought only

moderate gains. Potential foreign investors have remained wary of the dominance of the Government and its regulations in the economy, and the flow of new investment has been less than expected.

The bulk of total investment has been from public sources, although private investment has increased from 16 percent in 1975 to nearly 25 percent of the total in 1979. A retrenchment in the inflow of Arab capital in the early eighties was offset by greater investments from developed countries and by Egyptians with new found wealth from jobs in other countries. Private investment has been largely in the petroleum and construction sectors, financed by foreign companies and remittance income from workers abroad. In the agricultural sector, remittance income has been spent primarily on housing construction and consumer items, although some remittances are used to purchase farm inputs, especially tractors.

Table 2—Gross domestic product growth by sector, 1977-82¹

Sector	Change from previous year				
	1977	1978	1979	1980/81 ²	1981/82 ²
	<i>Percent</i>				
Agriculture	-2.9	5.6	4.2	5.2	2.9
Industry and mining	6.7	5.5	7.8	13.4	9.0
Petroleum	54.8	22.0	10.3	29.7	6.0
Electricity and public utilities	11.3	15.7	1.6	6.3	-5.2
Construction	12.9	30.0	10.2	7.9	5.9
Transportation, communications, and storage	17.9	15.2	46.2	15.4	6.9
Suez Canal	20.4	17.5	16.9	19.6	9.9
Trade, finance, and insurance	10.4	15.8	18.1	16.9	11.0
Service sectors ³	20.5	-3.0	1.6	14.1	9.8
GDP at market prices	12.7	5.8	9.6	13.0	8.5

¹At constant 1975 prices.

²The fiscal year in Egypt became July 1 through June 30 in 1980.

³Includes tourism.

Source: (9, 45).

Changing economic trends have affected employment. In 1979, the services sector surpassed agriculture as the major employer, providing jobs for 42 percent of the work force. Employment in the services sector is growing at an average 6 percent annually. Agriculture engages nearly 40 percent of the labor force, yet growth in agricultural employment has been marginal, below 1 percent a year. Industrial employment, occupying 13 percent of the work force, is expanding at an average of over 3 percent annually (table 3).

Slow growth in agricultural employment and low farm incomes have contributed to migration from rural areas to Cairo and abroad. Jobs in the Gulf States, Iraq, and Libya have attracted Egyptian workers, both skilled and unskilled. Currently, there are frequent shortages of farm laborers during peak periods and of technicians, engineers, and skilled artisans throughout the country.

Egypt became a model for food policy planners in many other developing countries in the seventies

when its food subsidy programs virtually eliminated hunger. However, the cropland area is limited to about 6 million acres and cannot be easily expanded. Since food production per capita has remained relatively steady in the recent decade, the great dietary improvement in quality and caloric content has been achieved at the expense of large food imports. The upward trend in agricultural imports will probably continue because the Government food subsidy system virtually constitutes a social contract with the population. Because Egypt has become a favored recipient of concessional financing by a number of nations, the food policy has been easier to finance than would otherwise have been the case.

Inflation. The inflation rate during the late seventies was relatively low in Egypt compared with many other countries, primarily because of the myriad price subsidies and ceilings affecting retail and industrial items. For instance, during 1976-79 annual increases in both the urban consumer index and the wholesale index were about 10 percent. However, the inflation rate is

Table 3—Employment by economic sector, 1974-82

Sector	1975	1976	1977	1978	1979	1980/81	1981/82 ¹
<i>1,000 persons</i>							
Agriculture	4,218	4,068	4,104	4,135	4,165	4,200	4,248
Industry, petroleum, and mining	1,175	1,200	1,247	1,297	1,351	1,450	1,487
Electricity	41	47	48	52	53	63	64
Public utilities	50	53	55	60	64	64	66
Construction	447	480	457	538	629	680	700
Commodity sectors	5,931	5,848	5,911	6,082	6,262	6,457	6,565
Transportation, communications, and storage	404	415	444	449	452	460	483
Trade and finance	967	1,014	1,051	1,094	1,126	1,217	1,226
Distribution sectors	1,371	1,429	1,495	1,543	1,578	1,677	1,749
Housing	143	144	145	147	155	166	174
Other services ²	1,988	2,084	2,336	2,558	2,717	2,880	3,024
Service sectors	2,131	2,228	2,481	2,705	2,872	3,046	3,198
Total	9,433	9,505	9,887	10,330	10,712	11,180	11,512

¹Ministry of Planning estimates for 1981/82 were adjusted to retain comparability with earlier years.

²For 1978-81/82, estimates assume annual growth rates of 9.5, 6.2, 6.0, and 5.0 percent, respectively.

understated by the consumer price index which is based on an outdated methodology and tends to be weighted in favor of items whose prices are controlled or subsidized. Beginning in 1980, inflation increased considerably. The rate, which remained in the 15- to 20-percent range annually during 1981-83, increased partly because of an influx of comparatively high-priced imports and a construction boom. Meanwhile, price subsidies have not been removed, and price ceilings have increased only marginally (table 4).

The Government Budget. The Government budget is under severe strain, partly because of the costs of the "social contract" introduced in the Nasser period and continued under Sadat and current President Hosni Mubarak. These guarantees include Government jobs for all university graduates; low, controlled prices for food, urban housing, and many essential commodities; free education; and subsidized health care (19). As the population increases rapidly, the numbers of those eligible for the guarantees increase, and budget expenditures rise faster than revenues.

The largest current expenditure in the budget is for subsidies. Subsidies are offered on consumer prices for "essential" items ranging from wheat bread and many other foods to butane gas, fabrics, and agricultural inputs. The Government expenditure on all subsidies averaged \$2.7 billion during 1981-83. Direct subsidies now cost over 10 percent of GDP. If implicit subsidies on foodstuffs and petroleum products are added, the total subsidy bill is estimated at 20 percent of GDP. Consumer price subsidies on wheat bread and flour

are by far the single biggest item in the subsidy bill and alone cost \$1 billion a year. However, these food subsidies have reduced the need for alternative social well-being programs which might prove even costlier (32).

The cost of Egypt's elaborate food subsidy system in relation to gross national product has become less of a burden in recent years. In 1974, Egypt spent about \$1 billion on food subsidies and the cost rose to \$2 billion annually during 1981-83. However, Egypt's gross national product (GNP) quadrupled during the last decade as the cost of food subsidies doubled. Furthermore, some loans scheduled for repayment of food imports received under concessional terms were forgiven by the United States.

The economy is burdened with an ever-growing and expensive public sector, employing about half of all nonagricultural workers. The second largest current expenditure in the Government budget is wages for public employees. The public sector wage bill cost the Government an annual average of \$2.5 billion during 1981-83 (32).

Investment. Since the midseventies, both public sector consumption and investment have grown rapidly. During this period, however, the ratio of gross domestic saving to GDP has declined from 19 percent in 1977 to 12 percent in 1981/82. There has been a definite pattern of consumption rising faster than GDP and of domestic saving rising more slowly. At the same time, the ratio of net imports of goods and services to

Table 4—Annual percentage increase in wholesale and consumer price indices, 1975-83¹

Index	1975	1976	1977	1978	1979	1980	1980/81 ²	1981/82	1982/83
	Percent								
Wholesale price index	na	10.3	10.3	8.2	17.1	16.9	5.1	8.2	21.7
Consumer price index ³	10.0	10.3	10.4	11.2	9.9	20.3	9.2	15.9	19.6

na= Not available.

¹Percentage increase from one end of period to another.

²Reflects change of period from calendar year to fiscal year of July 1 through June 30.

³For urban population only.

Source: (4, 20).



As in this typical rural village, high population growth rates lead to seemingly continuous construction. In recent years, precious agricultural topsoil has often been used for making adobe bricks like those pictured here.

U.S. Agency for International Development

GDP increased from 10 percent in 1977 to 13 percent in 1981/82. This is further evidence of the rapid growth in final domestic demand (32).

Private sector investment has also grown rapidly, with much of it in housing, industry, and commerce, sectors which have been subjected to less Government intervention. However, private sector investment slowed in 1980/81 and declined in 1981/82, thus reducing annual growth of total investment (public and private) from about 42 percent in 1978 and 1979 to 12 percent in 1980/81 and 1981/82. In terms of sectoral distribution of investment, the share in the commodity-producing sectors declined from 58 percent in 1977 to 51 percent in 1981/82 along with the relative share of GDP

contributed by these sectors. However, even as the share of the agricultural sector in GDP declined, the proportion of funds directed to the agricultural sector increased from 8 percent in 1977 to 11 percent in 1981/82 partly as a reflection of the Government's commitment to land reclamation projects. Investment in trade and finance grew very rapidly, and resources allocated to the transportation, communication, and storage sector (which includes the Suez Canal) more than doubled during 1977-79 before stabilizing in recent years. This very rapid sectoral growth largely reflected the deepening and widening of the Suez Canal (19, 21).

During the current Five-Year Development Plan (1982/83-86/87), the growth and investment objec-

tives will channel a relatively larger portion of public sector investment into the agricultural sector. The sector's actual investment share during 1977-81 was 8.4 percent and is scheduled to increase to 10.7 percent during the plan. However, several other sectors, notably petroleum, electricity, housing, and public utilities, are targeted for proportionally larger increases. The public-private distribution of agricultural sector investment under the Five-Year Development Plan is 10.2 percent in the public sector and 12.5 percent in the private agricultural sector (32).

The door to foreign investment in Egypt was opened in 1974 via Law 43 and modified somewhat by Law 32 in 1977. All foreign investment proposals must be approved by the General Authority for Foreign Investment and Free Zones (GAFI). Preference is given to proposals which create foreign exchange either through direct exports or invisibles (such as attracting foreign tourists); save foreign exchange through import substitution; or use high technology and involve the development of technical expertise. In terms of sectoral priorities, preference is accorded to land reclamation, housing, tourism, manufacturing, and animal husbandry projects. Joint ventures with either public or private sector partners in Egypt are strongly preferred by GAFI, with the minimum local participation usually set at 50 or 51 percent. Standard tax exemptions and profit remittance provisions apply to all joint ventures (24, 32).

International firms have made extensive investments in three fields in Egypt under the Government's "joint ventures" program: petroleum extraction, tourist facilities, and urban housing. American firms accounted for most of the investments in petroleum, with a concentration of oil wells on the shoreline of the Gulf of Suez.

American firms lead in investments in hotels and travel services for foreign tourists, but investments in this field by French, German, Swiss, and Arab investors have also been significant. Recent U.S.-Egyptian joint ventures have also occurred in the financial sector. For example, Chase National Bank (Egypt) is a joint venture of the National Bank of Egypt (which handles most foreign transactions) and Chase Manhattan Bank. Misr International Bank is a joint venture between the

First National Bank of Chicago, Misr Bank, and others. Another joint venture commercial bank, the Egyptian-American Bank, involves the Bank of Alexandria and the American Express International Corporation. Other U.S. banks with foreign currency operations in Egypt are Bank of America, Citibank, and Manufacturers Hanover Trust. American-Egyptian joint ventures in the import-export sector have recently proliferated (23).

Arabs lead in investments in urban housing, mostly in Cairo and Alexandria. They have often formed joint ventures with Egyptian investors. After Law 43 was passed in 1973 to encourage foreign investment in real estate, many Saudi and Kuwaiti investors formed joint ventures with Egyptians to build apartment buildings.

American franchise marketing arrangements have expanded recently in Egypt. American and European fast food firms have entered the Egyptian market. American firms built pharmaceutical plants jointly with Egyptian investors in the sixties with Title IV Cooley loans obtained from PL 480 funds. Private investors recently opened new candy factories with loans from international banks (5).

Private agricultural investments have increased as credit became easier to obtain and as more Egyptians have returned from good jobs in foreign countries. The price of farmland reportedly ranges from £E 15,000 per acre near Cairo to less than £E 1,000 per acre in the northern Delta.

Many attempts by foreigners to invest in Egyptian agriculture have been abandoned. Foreign firms are invited to lease land in Egypt for development, but the restrictions involved usually prove very cumbersome. Only Egyptian citizens are allowed to own cropland, and their holdings are limited by law to 52 acres each for old soils and 300 acres in newly reclaimed desert areas. However, some American investors have recently organized joint projects with Egyptians to grow tomatoes and winter vegetables for export (40).

Public projects account for over 90 percent of the cropland developed in desert areas. Some wealthy Egyptians have developed new farms near Cairo and Alexandria. Private investments in poultry farms and cattle feedlots have also expanded substantially in recent years. New projects to develop feedlots near Alexandria often involve Egyptians who have accrued savings while working abroad.

Balance of Payments

The four major sources of foreign exchange have helped finance rapid growth in imports of food and agricultural items, intermediate goods, and capital equipment. In FY 1982/83, remittances earned about \$3.2 billion, petroleum and related products about \$2.5 billion, Suez Canal fees about \$1 billion, and tourism about \$300 million for a total close to \$7 billion. Adding earnings from agricultural exports, investment income, and miscellaneous services, total current account receipts were approximately \$11 billion. Cotton was the major farm export, bringing in over \$500 million (table 5).

Efforts to limit the severity of the balance of payments deficit often hurt prospects for expanding cash sales of U.S. farm products to Egypt. For example, cash sales of U.S. farm products increased during 1978-81, when Egypt's foreign exchange inflows showed a strong upward trend and the Government relaxed exchange controls on importers.

The National Bank of Egypt does not record all imports in the balance of payments report, particularly if they were financed by grants, the U.S.-financed commodity import program (CIP), or special loans not requiring repayment in foreign exchange (such as Title III, PL 480). The Central Bank reported a rise in recorded imports from \$5.3 billion in 1978 to \$8.7 billion in fiscal year 1980/81. During this time imports financed through the "own exchange" system rose from \$967 million to \$1.7 billion (24).

Foreign exchange receipts from services expanded considerably from the late seventies to the early eighties. Exports doubled during this time, reaching a peak of \$4 billion in 1981-82. Petroleum exports, valued at \$3 billion in 1981, accounted for all of the growth. Exports of petroleum and products dipped in 1982, but rebounded somewhat in 1983 because of larger deliveries to Israel and Europe. However, some petroleum exports are not counted because foreign companies receive oil as payment in kind for technical services (4).

Exports of other items declined slightly because of the downward trend for shipments of cotton, textiles, and horticultural products. Exports of rice declined sharply

Table 5—Balance of payments summary, fiscal years 1980/81-83/84

Item	1980/81	1981/82	1982/83	1983/84 ¹
<i>Million dollars</i>				
Trade balance	-5,078	-4,965	-5,126	-5,180
Exports (f.o.b.)	3,985	4,144	3,555	3,900
Petroleum	2,857	3,032	2,468	2,600
Other	1,128	1,112	1,087	1,300
Imports (c.i.f.)	-9,063	-9,109	-8,681	-9,080
Public sector	-7,109	-7,334	-6,378	-6,530
Private sector	-1,954	-1,775	-2,303	-2,550
Services (net)	3,464	2,605	3,814	4,309
Receipts	6,455	6,156	7,377	8,020
Suez Canal dues	780	909	957	1,000
Workers' remittances	2,855	2,082	3,166	3,900
Investment income	1,321	1,583	1,267	1,360
Tourism	512	393	304	300
Other	987	1,189	1,683	1,460
Payments	-2,991	-3,551	-3,562	-3,711
Investment income	-1,550	-1,837	-1,666	-1,721
Other	-1,441	-1,714	-1,986	-1,990
Current account balance	-1,614	-2,360	-1,312	-871
Capital account	1,157	1,184	1,331	923
Project and commodity loans (net)	1,062	897	946	843
Drawings	1,444	1,371	1,307	1,365
Repayments	-382	-474	-361	-522
Suppliers' credits (net)	51	-20	-65	-50
Drawings	882	842	886	957
Repayments	-831	-862	-951	1,007
Direct investments	230	250	247	200
Business and investment banks	-136	305	na	-200
Other (net)	-50	-248	203	130
SDR allocations	29	0	0	0
Balancing item	295	1,253	870	588
Overall balance	-133	77	889	640
Monetary movements (increase in assets)	133	-77	-889	-640
Central Bank (net)	-37	-910	-242	na
Assets	317	-598	-24	na
Liabilities	-354	-313	-219	na
Commercial banks (net)	170	833	-647	na
Assets	-653	18	-857	na
Liabilities	823	815	210	na

na = Not available.

¹Projected.

Source: (20).

in 1982, remained subdued in 1983, and increased modestly in 1984.

Remittances recorded in Egyptian banks rose from \$1.8 billion in 1978/79 to \$3.2 billion in 1982/83. However, many Egyptians have apparently found it advantageous to leave their money in Saudi Arabia, Kuwait, or Bahrain, after they have returned to Egypt. Changes in Egypt's bank regulations in 1983 caused a significant increase in remittances, particularly from Egyptians working in Iraq.

Suez Canal receipts rose to nearly \$1 billion in 1983, about double the 1978 level. The decline in traffic of petroleum tankers from the Gulf to American and European ports was partly offset by a sharp rise in transportation of manufactured products from East Asia to Europe (4).

Receipts from tourism declined from \$500 million in 1980 to only \$300 million in 1982. The adverse publicity associated with the 1981 assassination of President Anwar Sadat hampered tourism.

American oil companies and others involved in Egypt's petroleum development invested about \$1 billion annually in Egypt during 1981-83, double the 1978 level when petroleum exports were much smaller. Payments of foreign debts to private banks and others (exclusive of those payments related to investment arrangements) rose from \$1 billion in 1978 to about double that amount in 1983. Repayments on International Monetary Fund (IMF) loans also doubled in this period, rising to about \$500 million. Egypt's loans and withdrawals from the IMF averaged about \$1 billion annually during the last several years. Debt service payments currently exceed \$2 billion yearly but should decline to about \$1.4 billion by 1990 (21).

Egypt's current account deficit peaked at \$2.4 billion in 1981/82, and then fell to \$1.3 billion in 1982/83 because of an increase in remittance receipts. Although public indebtedness has certainly increased in relation to GNP during the last decade, most observers calculate that Egypt's ratio of debt to GDP peaked at about 0.7 in 1979 and declined to less than 0.5 in 1981 and 1982. This decline has permitted Egypt to maintain debt servicing at a manageable level. Furthermore, much of the foreign-held debt is on relatively soft terms with the effective interest rate

estimated at less than 4 percent and an effective maturity date of about 9 years (21).

Exchange Rates. Egypt's exchange system has evolved into what is often called a "fragmented" system. There are three distinct markets (or "pools") for foreign exchange: the Central Bank pool, the commercial bank pool, and the free market rate. The Central Bank pool is used for most of the capital transactions by the public sector, cotton and petroleum exports, Suez Canal dues, and imports of strategic foodstuffs and agricultural inputs. The commercial bank pool is used for remittances from Egyptians working abroad, minor exports, tourist receipts, and imports for public sector firms which do not otherwise qualify for the Central Bank pool. Finally, the free market shares common exchange sources with the commercial bank pool and is used for most transactions by the private sector (32).

In FY 1982/83, an estimated 45 percent of foreign exchange transactions occurred in the Central Bank pool, followed by 30 percent in the commercial bank pool and 25 percent in the free market pool. The spread between the exchange rates in the three pools is significant (currently about 75 percent). The Central Bank rate has been £E 0.71 = \$1 since 1979. The commercial bank rate of £E 0.83 = \$1 is considered to be highly overvalued, as the free market rate hovered in the £E 1.22-1.25 = \$1 range during 1984. Egypt is being encouraged by international financial authorities to unify the exchange system so as to correct the inherent macroeconomic distortions caused by the currently fragmented system (21, 32).

Expected Rate of Economic Growth. Preliminary official data indicate that Egypt had an annual economic growth rate of 8.6 percent from 1977 to 1982 because of the surge in petroleum revenues, greater remittances from workers abroad, more income from the services sector, increasing revenues from the Suez Canal, and external development assistance. Most of this period was a time of increasing petroleum prices, but the decline in crude oil prices in late 1982 and 1983 casts some doubt on Egypt's ability to maintain this pace during 1984-90. However, recent World Bank forecasts indicate that Egypt's GDP could well maintain a growth rate of 6 to 7 percent through 1986/87. This growth pace would be supported mainly by the petroleum and industrial sectors; the Bank

projects the agricultural sector to maintain a growth rate of only 2.4 to 2.8 percent during this period (45).

Some other sectors of the economy showed remarkable growth in the 1977-82 period. The construction industry grew at an annual rate of 11.3 percent. For commerce, finance, and insurance the annual growth rate was 12.5 percent. The weak sector in overall economic growth during this period was agricultural production with a real growth of about 2.2 percent annually (table 2). The shift from a predominantly rural to an increasingly urban society contributed to rapid growth in sectors such as housing and transportation.

Although the economic outlook after 1984 is uncertain, Egypt is unlikely to duplicate the high growth rates of the 1978-82 period. The major revenue earners—petroleum, worker remittances from abroad, tourism, Suez Canal earnings, agricultural exports, and foreign donor assistance—are all strongly influenced by external factors. World oil prices have been declining from their 1982 peak. The inflow of remittances, which increased in 1982 and 1983, hinges on industrial activities in the neighboring Middle East countries. If these activities decline, so will the level of remittances from Egyptian workers. Revenues from tourism, which have declined annually since 1981, are contingent upon the political situation in the Middle East. Canal earnings are largely dependent on tolls from oil tankers, and thus indirectly depend on the global petroleum market. Foreign donor assistance, which has been increasing, is also determined externally (40).

Without significant technological improvements, agriculture will probably not expand more rapidly. All arable land is already under intensive cultivation. In industry, Government regulations regarding pricing and employment will continue to constrain growth in many areas.

Demographic Setting

The population of Egypt reached 48 million in early 1985 and is expected to approach 70 million by 2000. Egypt now has nearly five times more people than it had at the turn of the century and twice the population reported in 1955, when it was self-sufficient in grain. The rising dependence upon imported food is related to the rapid population growth and improving

diet, more than it is related to a lack of productivity in Egyptian agriculture.

Population growth accelerated from an average of 2.1 percent in the early seventies to about 2.9 percent by the end of the decade. A slight dip in the growth rate has been reported for the early eighties (13). The birth rate increased from 35 per 1,000 in 1971 to nearly 40 in the late seventies and retreated to an average of 38 in the early eighties (table 6).

Egypt's population is now growing by about 100,000 persons each month. Great improvements in food and medical care in the seventies and generally higher incomes have contributed to the decline in mortality rates. Great emphasis upon traditional family life and the improved economic outlook, combined with an earlier age of marriage, also led to higher birth rates. Meanwhile, better medical care has reduced the infant mortality rate. Urbanization almost always leads to a reduction in the birth rate, but this expected trend is offset by other factors in Egypt. More young men can now afford to marry, and the marriage rate has increased accordingly (31).

Urban growth in Egypt has accelerated as a result of migration from the countryside. Many factors have been pushing people out of the countryside, including overcrowding in the rural areas, fragmentation of farm holdings, and Government pricing policies which keep rural wages low. At the same time, there are factors which attract people into the cities, such as opportunities for employment and education, the promise of cheap food, and the appeal of modern city life.

Urbanization has been very rapid and the urban growth rate, 4 percent per year, has exceeded the overall population growth rate. The highest urbanization rates have been in Cairo, Alexandria, Port Said, and Suez. Cairo is now one of the world's largest cities with over 12 million people in the greater metropolitan area. Public services and utilities in Cairo have become severely strained, and housing is in short supply (27).

Overall Trade Setting

Egypt's total agricultural imports increased from \$3.5 billion in 1982 to about \$4 billion in 1983. Imports of wheat and flour combined (in wheat equivalent) fell

from 5.9 million tons in 1981 to 5.7 million tons in 1982, and then rebounded to about 6.6 million tons in 1983. Also, Egypt's imports of corn, tomato products, frozen poultry, tobacco, and tallow increased sharply in 1983 (39).

Egypt's total trade value was about \$15 billion in 1983, including \$11 billion for imports. The United States provided \$2.8 billion of the imports and bought \$302 million of Egypt's exports. Petroleum exports remained steady in 1983 at about \$3 billion (including deliveries to international companies as payment for their technology). Export of cotton and textiles increased slightly in value in 1983 because of higher world prices.

A serious foreign exchange shortage persists because import demand is rising rapidly while exports and the other principal sources of foreign exchange are not increasing as rapidly as imports. Total imports may have risen to \$12 billion in 1984, while exports may have totaled only \$3.7 billion.

Egypt's current account deficit in fiscal year 1984 may have reached \$2.5 billion, double the 1981 level. Nongold foreign exchange reserves now average about \$700 million, and most financial requirements are met by borrowing. Loans from the World Bank, International Monetary Fund, and international banks are rising (21, 45).

A large part of the \$4.8 billion debt service in 1982 was rescheduled. The total foreign debt reached \$18 billion by early 1983. About 44 percent of the foreign debt is owed to the United States; lenders in Middle Eastern nations which belong to the Organization of Petroleum Exporting Countries (OPEC) account for about 30 percent. The \$8 billion owed to the United States required payments of only \$536 million in 1984, reflecting the concessional terms and low interest rates accorded Egypt.

The Import Rationalization Committee (IRC) temporarily banned imports of various luxury items in 1982 and early 1983 and restricted private imports of other

Table 6—Population, rates of birth, death, and natural increase, 1974-82¹

Measure	Unit	1974	1975	1976	1977	1978
Population	Thousands	36,092.0	36,990.0	37,891.0	38,794.0	39,743.0
Birth rate	Per thousand	35.7	36.0	36.4	37.3	37.2
Death rate	do.	12.7	12.1	11.7	11.8	10.5
Rate of natural increase	Percent	2.3	2.4	2.5	2.6	2.7
Growth rate	do.	2.5	2.4	2.4	2.4	2.4
		1979	1980	1981	1982 ²	
Population	Thousands	40,983.0	42,289.0	43,465.0	44,673.0	
Birth rate	Per thousand	40.9	40.9	40.2	33.4	
Death rate	do.	11.0	10.9	10.2	9.8	
Rate of natural increase	Percent	3.0	3.0	3.0	2.4	
Growth rate	do.	3.1	3.2	2.8	2.8	

¹Includes estimates of migrant population.

²Preliminary.

Source: (4, 20).

items. This caused a sharp setback in Egyptian cash purchases of U.S. farm products, particularly poultry products, corn, and apples. However, purchases from Europe and Israel were not so adversely affected. Some relaxation in regulations on private food imports is expected because of shortages and high prices for certain items (40).

U.S. agricultural exports to Egypt declined from \$1 billion in 1981 to only \$803 million in 1982 (including transit shipments through Canada), mostly because of the decline in sales of poultry products and lower corn prices. U.S. exports recovered to \$970 million in 1983.

The United States extends concessional sales to Egypt (and other countries) through provisions of GSM-102, an export credit guarantee program, and GSM-5, a direct credit program for exports, both operated by the Commodity Credit Corporation. When a given sale includes partial payments under both of these programs, it is referred to as "blended credit." The GSM-102 financing for wheat flour at \$155 per ton through the payment in kind (PIK) export program was scheduled at \$123 million for fiscal year 1983. Some shipments, however, were extended into fiscal year 1984. Blended credit and GSM-102 financing with 80 percent GSM-102 and 20 percent GSM-5 in fiscal year 1983 accounted for about \$180 million. This amount included \$70 million for corn, \$55 million for wheat, and \$30 million for tobacco. The line of credit for \$25 million to buy vegetable oils and \$6.6 million for livestock products was not used.

CIP loans and grants in fiscal 1983 reached \$300 million, including about \$100 million for agricultural commodities. Tallow, tobacco, and corn are the major items receiving CIP financing.

Title I, PL 480 assistance scheduled for about \$280 million in fiscal year 1983 accounted for only 10 percent of total U.S. exports to Egypt. This allocation was reduced to \$250 million in fiscal year 1984 and \$225 million in fiscal year 1985. Financing of U.S. farm products for Egypt is becoming more diversified as PL 480 financing has become a smaller fraction of the total credit extended.

The Agricultural Production System

Agricultural land is limited to the Nile Valley and Delta, with the exception of some very small areas of

arable land in the Sinai and in several oases. The entire cultivated area declined from a peak of 6.4 million acres in 1964 to 5.9 million acres in 1981, before new projects pushed the total back to 6 million acres in 1983. Thus, cropland accounts for only 3 percent of Egypt's total land area, most of which is desert. All the cropland is irrigated, and double or triple cropped, except for some small rain-fed areas on the Mediterranean coast. Over the last three decades the Government has made efforts to reclaim desert for use as farmland. Approximately 1 million acres have been partially reclaimed to date. This gain, however, has been offset by 700,000 acres lost to urbanization. The crop area per capita has gradually declined to 0.13 acre per person in 1983 (20).

Land holdings are fragmented; the average size of operating farms is less than 2.5 acres (table 7). Land is farmed by owners, renters, and sharecroppers. Laws restrict individual ownership to a maximum of 52 acres and family ownership to 104 acres, or 300 acres in reclaimed desert cropland per family. However, public sector companies, cooperative farms, and joint ventures may have larger land holdings.

About 55 percent of the population was engaged in agriculture in the early sixties, but by 1983 this figure

Table 7—Distribution of agricultural land ownership, 1978

Size category	Land-owners	Area owned	Land-owners	Area owned
	Thousands	1,000 feddan	Percent	Percent
Less than 5 feddan ¹	3,223	2,834	95.0	51.3
5-10 feddan	93	609	2.7	11.0
11-20 feddan	44	569	1.3	10.3
21-50 feddan	23	663	.7	12.0
51-100 feddan	7	482	.2	8.7
Over 100 feddan ²	1	373	.1	6.7
Total	3,391	5,530	100.0	100.0

¹One feddan equals 1.038 acres.

²Includes organizations, companies, and individuals.

Source: (3).

had declined to 40 percent. Family members perform the majority of the farm labor. With many rural workers temporarily in the Gulf States, the wages paid for hired labor have increased. In recent years, a shortage of experienced farm workers has pushed farm wages up sharply; however, farm wages are still much lower than wages in other sectors.

Egyptian Agriculture. Egyptian farmland is now irrigated throughout the year (except for a brief system maintenance period during the winter). The Nile supplies water to the system of canals from which farmers lift water by means of animal-powered water wheels, hand-powered Archimedes screws, and electric pumps. The Nile is the sole water source except for some small rain-fed areas near the Mediterranean coast (11). Since the completion of the Aswan High Dam in 1970, the continuous flow of irrigation water has increased output potential, and total crop output has risen substantially. This is largely due to a rise in summer crop production. However, overirrigation by farmers is a serious problem causing soil water-logging and lowered crop yields in some areas, especially in the Delta area (14).

There are three crop seasons: winter (November-mid-May), summer (mid-May-August), and "Nili" (August-October). Major winter crops are berseem clover (which occupies about 50 percent of the cropped area in winter), wheat, broad beans, and vegetables. Summer crops are rice, cotton, maize, and vegetables. The major Nili crop is maize. Orchards and sugarcane occupy the land throughout the year (table 8).

The largest area allocations are to berseem clover, corn, wheat, cotton, and rice in order of importance. Berseem clover fixes nitrogen and precedes cotton plantings in the rotation. Both berseem clover and cotton are grown primarily in the Delta. Long staple cotton is the leading agricultural export. Wheat and corn, important to farmers as staple cereals and for straw for fodder, are grown mainly in the Delta and Middle Egypt. Sorghum replaces maize in Upper Egypt (south). Rice, grown in a special irrigation belt in the Delta, is cultivated with seedling transplants immediately following the winter crop harvests. Rice was formerly the second largest farm export, but in recent years rising domestic consumption has curtailed the exportable surplus. Sugarcane is the main crop in Upper Egypt. Vegetables, grown throughout the Nile area, are concentrated near Cairo and Alexandria. Legumes,

mainly fava beans and lentils, are grown largely in Upper Egypt. Orchard crops, the most important of which are citrus, are cultivated primarily in the Delta (7).

Table 8—Cropping pattern by season, 1979-82¹

Crop	1979	1980	1981	1982
<i>1,000 feddan²</i>				
Winter crops:				
Wheat	1,391	1,326	1,399	1,400
Full-term clover	1,746	1,722	1,756	1,790
Cash crop clover ³	1,031	721	750	750
Beans	288	276	288	300
Barley	107	96	91	88
Lentils	22	15	12	10
Fenugreek	31	29	24	15
Chickpeas	15	17	19	15
Lupines	7	11	19	5
Flax	69	66	52	52
Onions	21	28	34	38
Vegetables	260	272	278	280
Other	75	74	45	49
Summer crops:				
Cotton	1,196	1,245	1,178	1,100
Rice	1,040	972	955	1,150
Maize	1,413	1,433	1,434	1,400
Sorghum	394	398	400	385
Soybeans	104	83	109	150
Sesame	37	39	40	40
Peanuts	31	28	28	33
Vegetables	505	502	503	475
Other	132	130	80	37
Nili crops:				
Maize	472	473	489	500
Sorghum	13	12	13	15
Vegetables	251	203	250	275
Year-round crops:				
Orchards	340	360	395	350
Sugarcane	248	254	253	265
Total cropped area ⁴	5,816	5,865	5,884	5,800

¹Each year, the expected cropping pattern for the following year is drawn up in the Ministry of Agriculture based on past trends and Government policies.

²One feddan equals 1.038 acres.

³Since cash crop clover is a short season crop, the area allocation is not included in total area.

⁴Not the sum of individual cropped areas above due to double and triple cropping.

Source: (6).



Draft animals, such as camels and water buffalo, are commonly used for lifting water out of canals for agricultural irrigation.

Food and Agriculture Organization of the United Nations

Because of the limited agricultural land, there is acreage "competition" among crops. For example, there is competition between winter wheat and cash crop berseem clover, and among summer corn, cotton, and soybeans. If more land is switched to soybeans, cotton area will probably decline (fig. 1).

Major production shifts in the last three decades have been away from cotton and wheat, and toward long-season berseem clover, corn, fruit, and vegetable crops (table 9). Shifts are apparently due largely to Government pricing policies affecting producers. Traditional field crops, including cotton, wheat, and rice, have been implicitly taxed through low prices paid by the Government. Corn, berseem clover, horticultural products, and animal products have not been controlled by fixed pricing and are relatively lucrative for farmers (42). The profitability of animal products has raised feed demand, especially for corn and berseem clover.

The country has a large livestock population composed mainly of water buffalo, cattle, goats, and sheep. Livestock is seldom raised in herds because

there are no natural pastures; generally, each farmer owns several animals. About 10 percent of the cattle and buffalo are raised in intensive units, such as feedlots, dairy farms, and new lands projects. Most animals are used for multiple purposes such as draft power, transport, and animal products, including milk and hides. The poultry sector is becoming increasingly important. Chickens of a local variety are raised in village flocks, and imported breeds are raised on intensive poultry farms operated by both public sector and private sector firms (36).

The major source of livestock feed is berseem clover. Other feed sources are crop byproducts (straws and residues), corn, sorghum, barley, wheat, feed concentrates, and agro-industrial byproducts such as cotton meal cake and sugar bagasse. Imported corn is sold at heavily subsidized prices as feed. Typically, livestock are adequately fed in the winter when berseem clover yields 3 to 5 cuttings but live on subsistence rations in the summer when feed is in short supply.

Technology and Input Use. Fertilizer use reached 748,000 nutrient tons in 1983, about 85 percent of

which was provided by domestic production. Fertilizer use has shown an upward trend, with Egypt generally importing about 10 percent of its overall fertilizer needs. Local factories are providing more nitrogenous fertilizer, and imports should decline as domestic production continues to grow (23). Phosphate mines south of Suez are important for domestic production. Egyptian soils are generally rich in potash (22).

Tractor use has increased markedly in recent years. Most of the 50,000 farm tractors are used more for hauling people, crops, and inputs than for cultivating crops; they generally perform only primary tillage operations (42). Approximately 40 percent of all plowing is done with tractors (34). The heavy dependence on animals for draft power is being altered only

gradually by the adoption of tractors and electric pumps (18). Although few small farmers actually own tractors, the equipment can be rented from cooperatives or large farmers.

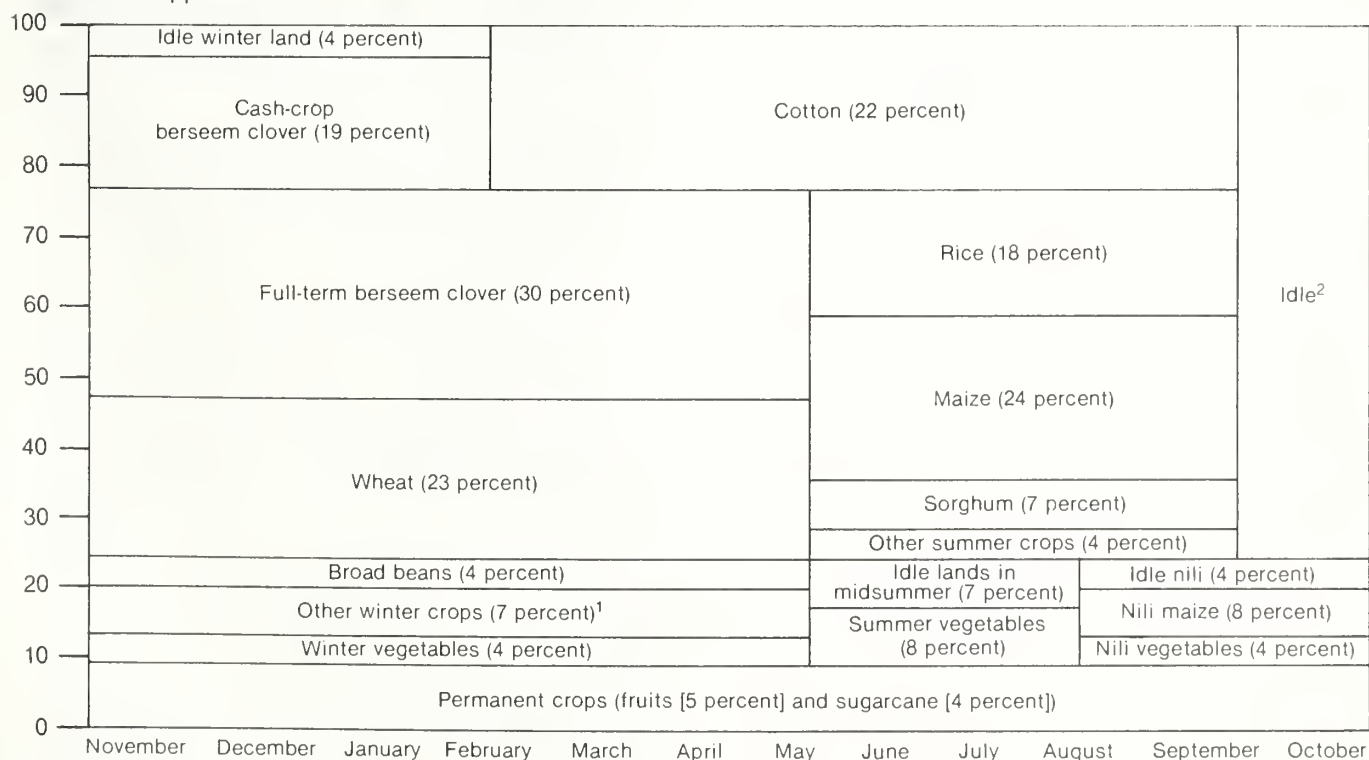
Credit to farmers is supplied by Government-controlled village banks which provide credit in kind, as inputs, and in cash. In the past, small farmers were commonly debt-ridden and short of capital, but recent improvements in the rural credit system coupled with the volume of remittances from Egyptian farmers working abroad have improved the small farmer's financial position (25).

Research and Extension. Agricultural research is conducted by the Agricultural Research Center, connected

Figure 1

Cropping Pattern, 1977-79

Percent of cropped land



Source: Nabil T. Habashi, James B. Fitch, and Salwa Rehbi, "Egypt's Agricultural Cropping Pattern, A Review of the System by which it is Managed and its Relationship to Price Policy," Research Paper No. 4, *Microeconomic Study of the Egyptian Farm System*, Arab Republic of Egypt, Ministry of Agriculture, Cairo, Nov. 1980, p. 2.

¹Includes lentils, chick peas, fenugreek, flax, barley, and other crops.

²Represents land that is temporarily idle between summer crops, such as cotton and rice, and winter crops, such as berseem clover.

Table 9—Agricultural production by commodity, 1971-81

Commodity	Average 1969-71	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
		1,000 tons										
Wheat	1,509	1,732	1,618	1,938	1,884	2,034	1,960	1,697	1,933	1,856	1,796	1,938
Rice, paddy	2,614	2,507	2,274	2,242	2,242	2,424	2,300	2,272	2,351	2,510	2,384	2,236
Corn	2,369	2,342	2,421	2,508	2,641	1,782	3,047	2,724	3,117	2,938	3,230	3,307
Barley	92	76	109	97	89	118	123	111	132	122	107	103
Sorghum	847	854	831	843	824	775	800	648	656	635	643	653
Broad beans	277	256	361	273	234	234	254	270	231	236	213	208
Lentils	35	50	54	62	51	39	40	24	16	9	7	5
Potatoes	495	451	565	796	709	720	893	1,010	772	1,019	1,214	1,210
Sweetpotatoes	87	84	86	60	75	75	69	68	63	104	86	86
Onions	525	571	519	539	550	572	652	732	599	580	568	654
Sugarcane	7,107	7,498	7,713	7,276	7,918	7,902	8,446	8,721	8,296	8,791	6,616	8,618
Cotton	520	510	514	493	441	382	396	399	438	484	530	508
Cotton seed	897	886	893	851	819	652	677	690	736	792	844	800
Flaxseed	12	10	13	17	23	24	24	30	31	34	34	27
Soybeans	1	1	1	2	2	2	11	27	79	106	72	130
Peanuts in shell	38	33	31	28	25	28	28	30	33	33	32	33
Sesame seed	19	21	24	21	14	17	13	18	9	13	16	17
Sunflower seed	16	33	18	8	11	12	14	12	7	8	9	9
Cabbage	271	275	278	283	299	321	329	340	348	360	353	374
Tomatoes	1,579	1,637	1,668	1,577	1,729	2,197	2,066	1,967	2,198	2,421	2,571	2,453
Oranges	633	707	684	769	819	856	755	671	843	1,050	921	895
Tangerines	88	101	83	89	90	97	85	76	85	98	70	73
Lemons	66	70	74	83	51	59	57	46	58	64	72	60
Apples	29	35	36	37	35	33	33	31	32	31	27	35
Pears	17	15	23	21	20	21	26	30	32	50	52	55
Bananas	89	95	108	101	110	112	112	127	113	113	133	137
Grapes	108	121	142	149	221	225	279	248	274	242	299	298
Olives	5	6	6	6	6	6	6	5	5	5	4	5
Dates	330	340	396	397	396	405	410	461	377	406	446	391
Meats	318	330	335	345	360	400	410	436	436	448	472	493
Milk	1,621	1,651	1,668	1,721	1,759	1,790	1,748	1,780	1,801	1,830	1,865	1,902
Wool, greasy basis	3	3	3	3	3	3	3	4	4	4	4	4

Source: (3, 39).

with the Ministry of Agriculture, and by several universities. Some of the agricultural research stations are not active and exist in name only (18). In the sixties, the development and distribution of new crop varieties, particularly for cotton and the major cereals, increased significantly. But in the seventies, progress slowed with much of the new research remaining "on the shelf" because of an inadequate extension system and budgetary constraints (36). However, a new thrust emphasizing development and improved yields began in the 1981-83 period with the assistance of U.S. Agency for International Development (USAID)-funded projects such as the Major Cereals Improvement Project. Tomato yields and production have both increased rapidly, for example.

The Ministry of Agriculture provides agricultural extension services through agents and demonstration farms. Evidently a number of factors prevent the extension system from effectively disseminating information and techniques to farmers. Agents are underpaid, usually lack adequate transportation, and sometimes are expected to enforce Government crop planting and input procurement regulations. Thus, the role of extension agents in Egypt is really not comparable to the role of extension agents in the United States. A USAID-financed project is currently planned for assisting the Ministry of Agriculture with the reorganization and general improvement of the extension service (36).

Recent Trends in Production. Although the overall performance of Egypt's agricultural sector has not kept pace with population growth and increased consumption, its performance is not entirely stagnant. For example, the area planted in soybeans in the Delta increased in 1983 as the area devoted to corn and cotton remained static. The shift from cotton to corn, soybeans, and sugarbeets in the northern Delta was considerable in 1982, when Government planners decided that less cotton was needed. The world cotton situation turned around in 1983, however, as programs and weather caused a sharp reduction in U.S. cotton output. World cotton prices in late 1983 were about 30 percent above those of early 1982, when Egypt decided to reduce cotton plantings.

The planned increase in cotton area (to about 1.2 million acres) in 1984 did not occur as reports in-

dicated that area dropped 2 percent to about 1 million acres, the third consecutive year of decline (40). An increase in cotton area would have been at the expense of other crops, since the total physical land area is only about 6 million acres. The crops likely to lose the most area to cotton are corn and rice.

The increase in the area planted in corn following the reduction of cotton area was very small, but the shift back to cotton could cause a significant reduction in the corn area. Soybeans and vegetables are more profitable than corn, and they occupy the land for a shorter period of time. Corn ranks low in return per month, a method now used by farmers to evaluate which crop to plant when the Government gives them a free choice. While the area planted in corn increased 1.3 percent in 1982 and 1.5 percent in 1983, the production rose more than 3.5 percent each year as farmers planted more hybrid corn and used more fertilizer.

The shortage of imported corn due to Government policies and procedures has forced the price for corn upward in the Egyptian marketplace. Many poultry and feedlot operators cannot obtain all of the feed they need from Government cooperative suppliers. Some of the new operators do not yet qualify for publicly subsidized feed because they are not members of an agricultural credit cooperative. Nevertheless, under current Government prices, profits from rice, cotton, and soybeans grown during the summer are greater than those for corn (32).

Soybeans fit neatly into the crop rotation plans of Delta farmers. Production increased to about 162,000 tons in 1983. However, strong demand for soybean meal apparently caused Egypt to import about 60,000 tons of soybeans in 1984. Some farmers shifted from cotton to soybeans recently in the northern Delta partly in response to the higher Government procurement price. The growing season for soybeans is only about half as long as the growing season for extra-long staple cotton, allowing farmers to double crop while growing more vegetables, especially tomatoes. American soybean varieties have performed well in the alluvial soils near Kafr el Sheik and Tanta (40).

The area planted in cotton declined 10 percent in 1982 and an additional 5 percent in 1983. Production declined 8 percent in 1982 to only 461,000 tons, and

fell nearly 10 percent to 421,000 tons in 1983. Most of the crop is harvested by September 30, but labor problems limited the use of hand labor for the second picking in 1983. The cotton area again declined slightly in 1984 apparently due to rising production costs and farmer dissatisfaction with the official procurement price (7).

The high priority placed on cotton in relation to other crops caused a serious problem for the aggregate value of total crop production in 1982 and 1983. Egypt exported all of its surplus cotton during 1962-78, but changes in trade policy caused shipments to the Soviet Union to cease during the 1979-82 period. Alternative markets to the Soviet Union did not materialize as planned, and large stocks of unsold cotton accumulated. Due to the lack of adequate storage facilities, about \$200 million worth of cotton was lost in 1982. Exports remained below expectations in 1982 and the area planted in 1983 remained static. In 1983, cotton exports to the Soviet Union resumed.

Each hectare of cotton contributes about \$1,600 to Egypt's GNP. Because of the decline in cotton's importance, the total value of agricultural production has not increased substantially, nor has it posted a percentage gain greater than that of population growth. Farmers usually plant all of the cotton area allocated to them by the Ministry of Agriculture. Procurement prices for cotton have improved greatly in recent years and may rise in 1985. Farmers received about 65 piasters per pound for cotton in 1983, double the average of the seventies (44).

Egypt hoped to increase the cotton area by at least 100,000 acres in 1984, but Government planners may have been too slow in responding to market conditions. Some less expensive cotton for the domestic textile industry was imported from the United States in 1985. Future imports will depend on the continuation of favorable financing arrangements with the United States. Relatively high prices for cotton on the world market will probably lead to renewed emphasis on cotton plantings, especially the extra-long staple varieties, in the future (40).

Agricultural Policies

The following section discusses policies affecting general consumption, agricultural production, and in-

ternational agricultural trade. Because of the complexities of the Egyptian setting, each of the policy areas is discussed in detail.

General Consumption Policies and the Ration System.

The Egyptian Government maintains a large-scale subsidy program which provides food at low cost to consumers. Bread, sugar, tea, cooking oil, rice, red meats, poultry, dairy products, fish, and other food items are sold through Government-licensed outlets at low prices to consumers to ensure an adequate standard of living for low- and middle-income families. This program was first developed in the fifties and sixties, and was expanded considerably in both scale and scope during the midseventies as more commodities were added to the subsidy list and the number of eligible recipients grew as the population expanded (2). Furthermore, the per capita consumption of many of the subsidized commodities has increased dramatically since 1974. Until recently, subsidized commodities were sold only in urban areas, but since 1981 their distribution has been extended to rural areas as well. The estimated total cost reached \$2.3 billion in 1983 (7).

The subsidy program is operated by the Ministry of Supply and Home Trade, which purchases commodities from both domestic production and imports, and supervises all processing, marketing, and final sales. The General Authority of Supply Commodities (GASC), attached to the Ministry of Supply and Home Trade, is the agent for importing large quantities of products such as wheat, vegetable oil, sugar, and meats entering the subsidy system (app. table 2). Over 65 percent of all subsidized food is imported, with wheat as the major import. Rice is the only major cereal for which the country is self-sufficient, and this situation is expected to change as future increases in consumption lead to importation (40).

Low-priced bread, the major item in the consumer food program, is baked in bakeries owned or operated by the Government and is sold in unlimited quantities to consumers at subsidized prices. A loaf of flat balady bread weighing 169 grams is sold for £E 0.01 (US\$ 0.012), or the equivalent of less than 4 cents per pound. Bread is sold to consumers at only 50 percent of its economic cost (28). The low bread price heightens consumption, encouraging waste and use as animal feed.

A group of commodities, including rice, cooking oil, tea, and sugar, are sold at low prices in limited quantities through a ration card system (table 10). Specific amounts of these items per person per month are purchased at Government-licensed private grocery stores. Most families have "green cards" allowing them to

Table 10—Rationed quantities and prices of basic food items sold through Government foodstores, 1981

Food item	Monthly ration		Price
	When supplies are low ¹	When supplies are normal ²	
	-----Kilograms/family-----		Piasters/ kilogram
Cooking oil ³	4	No limit	34
Rice:			
Unbagged	5	No limit	4
Bagged	5	No limit	14
Sugar:			
Unbagged	4	No limit	30
Bagged	4	No limit	32
Cubed	4	No limit	35
Tea ⁴	No limit	No limit	12
Red meat:			
Beef	1-8	8	68
Mutton	No limit	No limit	85
Flour:			
Domestic	No limit	No limit	8
Imported	No limit	No limit	10
Fava beans	1-4	4	12
Lentils	1-4	4	12
	-----Number/family-----		
Chicken:			
Domestic	1	1	86
Imported	1-2	3	105

¹Ration cards are used at Government food stores when supplies are low; purchases are limited, and the cards are marked.

²Ration cards usually are not used when supplies are adequate.

³Plastic bottles.

⁴Leaves. Price of tea is piasters per 25 grams.

Source: (10).

purchase at low prices, but some families designated as upper income have "red cards"; these more affluent families pay higher, though still subsidized, prices for the same commodities.

In the summer of 1984, the Ministry of Supply and Home Trade suddenly announced that unsubsidized quantities of edible oil, rice, and sugar would be sold in Cairo and Alexandria on the open market (in addition to the limited quantities sold at subsidized prices). Previously, all three commodities were only obtainable at the subsidized prices in Government shops where supplies are often erratic. However, the retail prices of the three commodities will still be regulated by the Ministry of Supply and Home Trade. The announced selling prices (sugar at £E 0.70/kg, oil at £E 0.85/kg, and rice at £E 0.40/kg) are more than double the prices charged for the same commodities in the Government stores. It is too early to determine the final impact and extent of the parallel, free market sales of these commodities. It is also unclear to what extent these free market sales will affect their already erratic provisioning at heavily subsidized prices in Government shops (40).

Under another program, subsidized commodities are sold at "gamayaas," or Government stores, without a ration card. Red meats, poultry, fish, canned goods, dairy products, eggs, halvah (sesame paste), pulses, cooking oil, rice, sugar, tea, and other items are generally available. Sometimes quantities of meat and poultry are rationed when availability is low.

The Ministry of Supply and Home Trade also sets maximum prices for many commodities which are not rationed. Most fruits and vegetables have ceiling prices, even though they are primarily sold by private traders. The products of Egypt's two public sector food processing companies, Edfina and Kaha, are also sold at set prices, generally below product cost. Also, meat in private shops is sold at set prices.

Egyptian food subsidies are a controversial program for many reasons: subsidies are a very costly budget item, they encourage import dependence, they contribute to pervasive cost-price distortions, and they are indiscriminately targeted. Annual costs have increased from \$300 million in 1975 to more than \$2 billion (table 11). Nevertheless, subsidies are so much a part of the social contract that it is politically difficult for

Table 11—Government budget for food subsidies, 1979-82¹

Commodity	1979	1980/81	1981/82
<i>1,000 Egyptian pounds</i>			
Wheat and flour	588.2	511.0	846
Maize	50.4	63.7	153
Fava beans	12.7	13.6	33
Lentils	14.1	24.5	32
Edible oils, tallow	200.1	194.4	231
Meat	41.5	67.3	149
Poultry	0	7.6	²
Fish	0	18.5	²
Sugar	44.4	97.8	132
Tea	54.6	42.0	35
Rice	0	41.0	53
Sesame, halvah, margarine	24.8	26.6	32
Total	1,030.8	1,108.0	1,696
Less profits	44.5	0	3
Total	986.3	1,108.0	1,693

¹In 1980 the Government moved from a calendar year to a fiscal year, July 1 through June 30, budget.

²Red meat, poultry, and fish were reported together.

Source: (8).

the Government to curtail the program. Past efforts to raise prices or cut back on quantities have encountered vehement opposition (29). Also, political pressures have led to distribution of subsidized food to the rural areas, thereby increasing the target group.

However, recent research by the International Food Policy Research Institute (IFPRI) indicates that the expansion of Egypt's food subsidy system was not primarily at the cost of the agricultural sector. Although the food subsidy system has led to vast increases in food imports, especially grains, subsidies on basic commodities actually represent an increase in real income for consumers; this income may be spent on additional food purchases in the open market, benefiting farmers who grow those crops (12).

General Production Policies. The Government oversees the agricultural sector and influences farm output through crop quotas, fixed crop rotations, input allocations, and technical assistance (14). Government intervention in agriculture is characterized by multiple

objectives: earning a surplus from the farm sector, through low producer prices, acquiring cheap food for urban distribution, ensuring production of profitable export crops for earning foreign exchange, protecting farmers against world price fluctuations, and increasing production (by encouraging economies of scale and adoption of new technologies).

In accordance with this policy mix, some crops are highly regulated (such as cotton, wheat, and rice), some loosely regulated (such as corn, oranges, onions, and garlic), and others not controlled at all (such as berseem clover, tomatoes, grapes, and watermelons). Some crops which are not regulated by the Ministry of Agriculture are regulated by the Ministry of Supply. The central Government uses village banks and the village cooperatives to implement farm policy controls. The village banks, operated by the Principal Bank for Development and Agricultural Credit, provide production credit to farmers; sell seeds, fertilizer, insecticides, and machinery; rent out farm equipment; and purchase crops from farmers. The village cooperatives, operated by the Ministry of Agriculture, supervise farmer compliance with rotation schedules, contract for cotton pesticide spraying, procure regulated crops from farmers, store crops, and provide some commodities to public sector processing firms (32).

Many farmers have been issued crop rotation cards which specify growing seasons and areas to be planted for major field crops including cotton, rice, onions, and soybeans. Farmers risk being fined if they do not follow their schedules. Farmers receive inputs as credit in kind from the village banks which maintain farmer accounts. Because a portion of the farmer's output must be sold to the village cooperative, inputs are advanced against the anticipated value of output to be delivered. In this way the bank insures its loans, and the Government enforces its crop quotas (41).

Production subsidies. Provision of agricultural inputs is the domain of the public sector, and input prices are subsidized by the Government. Irrigation water is delivered without charge (with the exception of a trial program of user fees on some of the new lands). The subsidized price of diesel fuel is about 40 percent of international prices. Fertilizer, cotton pesticides, feed, concentrates, farm machine rentals and purchases, certified seed, and credit are all subsidized by the Government. Because input allocations to farmers by

the village bank are sometimes in limited quantities, there is a parallel black market in inputs such as fertilizers and pesticides (26).

Credit is offered at interest rates of 3 to 14 percent, depending on the loan term and the project. Loans for land reclamation are made at 3 percent interest and for "food security" projects at 6 percent interest.

The degree of Government control over farmer output varies by crop. All cotton must be sold to the village bank for the State Cotton Organization. Wheat can be sold to the Government or on the private market. About 50 percent of the farmer's rice output must be sold to the village cooperative. Maize is sold only on the free market. Sugar producers dispose of their output through contracts with sugar manufacturing companies. Quotas for other crops, such as onions, broad beans, sesame, and peanuts, change annually (37).

Farmgate prices. The Government maintains fixed producer prices for a number of crops. Prices are set at the Cabinet level with the conflicting interests of various ministries affecting price decisions. Prices for many products are low relative to free market prices in Egypt and to international prices. There are fixed farm prices for all major agricultural commodities except maize, berseem clover, barley, sorghum, flaxseed, vegetables, fruits, meat, and poultry.

There is no free market for cotton. For other regulated crops, such as rice, wheat, broad beans, lentils, soybeans, onions, and sesame, there is both a fixed producer price and a parallel, free market price. Because only a portion of these crops must be delivered to the Government, the remainder may be legally sold on the free market.

The Ministry of Agriculture keeps records of "farmgate prices" which are actually an average of the fixed price and the free market price of the commodity. The free market prices (and farmgate prices) are generally higher than the fixed prices. Recent exceptions have been free market prices of onions, sesame, and soybeans, which in 1981 were below fixed prices (table 12). In 1982 and 1983, the Government gradually increased the official prices for certain commodities.

Given Egypt's distorted input costs and output prices, it is difficult to determine exactly what the net effect of

intervention has been on the farm sector. Crops on which there are area or quota controls and fixed prices have been, in most years, heavily taxed. Cotton has been most heavily taxed, while wheat and other crops have been taxed to a much lesser extent. In contrast, the unregulated crops, such as fruits, vegetables, and berseem clover, have been effectively subsidized by a variety of low-cost inputs including irrigation water (43).

Meat production has been encouraged with feed concentrate subsidies. Production of fodder, such as berseem clover and wheat straw, has been encouraged as a result.

Because of the distortions resulting from price regulations, farmers have often preferred to cultivate nonregulated crops, including vegetables, fruit, and berseem clover. Farmers have diverted fertilizers and reduced compulsory plantings of controlled crops. Such cutbacks risk fines, but apparently farmers have determined that the extra profits are worth the risk.

Livestock feed has recently been in short supply. Because livestock production is uncontrolled and provides high returns, forages like berseem clover, maize, and wheat straw have been lucrative crops for farmers. At times, the free market price of wheat straw is above that of wheat grain. As a result, feed crops have occupied a growing portion of the cropped area, and the foodgrain area has declined.

Trade Policies. Egypt's agricultural trade strategy has varied substantially, both in its orientation toward food imports and in the balance between public and private sector imports. Since 1973, food imports have risen dramatically, stimulated by larger foreign exchange earnings, Sadat's open door policy leading to growth in private sector imports, and expanded credit and food aid.

Egypt has controlled imports through foreign exchange allocations and import licensing requirements for the last three decades. During the sixties, foreign trade regulation was reinforced by the establishment of Government trading corporations. Furthermore, much trade was conducted through bilateral agreements with the Soviet Union and Eastern European countries.

Table 12—Fixed and farmgate producer prices, 1980-81

Crop	1980			1981		
	Fixed	Farmgate	Difference	Fixed	Farmgate	Difference
	<i>Egyptian pounds/ton</i>		<i>Percent</i>	<i>Egyptian pounds/ton</i>		<i>Percent</i>
Paddy rice	75.00	81.20	8	85.00	98.90	15
Sugarcane	13.00	15.27	17	16.00	18.10	13
Onions	50.00	42.07	-16	52.00	47.23	-9
Fava beans	161.30	199.10	23	225.81	234.71	4
Lentils	250.00	295.63	18	375.00	421.06	12
Soybeans	210.00	207.00	-1	230.00	285.00	24
Peanuts	266.66	316.27	19	333.33	404.12	21
Sesame	541.66	604.00	12	625.00	619.06	-1
Wheat, local variety	76.70	88.00	15	76.70	93.00	21

Source: (7).

State trading organizations monopolized imports and largely dominated the export trade in traditional commodities such as cotton. This policy continued until the early seventies, when commodity export earnings financed about 75 percent of Egypt's total imports (32).

A general trend of liberalizing trade policy began in 1973 as Sadat implemented his open door economic philosophy. The first important change was the establishment of the parallel exchange market (the "own exchange" system). The move away from the public sector domination of trade continued in the midseventies as an alternative route around the import control system was provided for importers with their own direct access to foreign exchange resources. The blanket restriction on private sector import activities ended in 1975, thus leaving only "strategic goods" as the exclusive domain of the public sector. Strategic goods included basic foodstuffs, military items, cotton and jute, coal and petroleum, and fertilizers and insecticides. In 1978, the Government amended import regulations and tightened controls to protect domestic industries from imports of certain manufactured goods.

However, exceptions included imports financed through the parallel exchange market and imports into specified duty-free zones.

Further changes in trade policy in 1980 and 1981 changed the amount required as a Central Bank deposit when commercial banks issued import letters of credit. Commodity categories were established to determine the proportionate Central Bank deposit required. In effect, this deposit requirement was a disguised import surcharge because in many cases importers had to resort to the free market to purchase foreign exchange for the mandatory deposit with the intermediary bank.

Public sector firms have dominated imports of agricultural commodities because the list of "strategic foodstuffs" is extensive, including wheat, flour, corn, beans, sesame, tea, sugar, and edible oils and fats. The increasingly larger purchases by these public sector firms have apparently been primarily a function of commodity price (with little regard for quality considerations) and availability of concessional financing

by the United States, the European Communities (EC), and other major suppliers. In recent years, the Egyptian Government has shifted from one supplier to another for purchases of agricultural commodities apparently to avoid excessive dependence on one single supplying nation.

The overall effect of the open door policy has been a dramatic shift away from trade with the centrally planned nations of the Soviet Union and Eastern Europe to the developing nations and the West. For example, the share of Egypt's total exports to centrally planned nations declined from 55 percent (by value) in 1973 to 18 percent in 1981. Meanwhile, the West's share of Egypt's imports increased from 28 percent to 52 percent during the same period, while the developing nations' share increased from 17 to 30 percent. The trend in Egypt's total imports shows a similar pattern (32). In 1973, Soviet bloc nations provided 30 percent (by value) of Egypt's imports; by 1981, their share was only 13 percent. Meanwhile, the West's share of the Egyptian market increased slightly from 53 to 54 percent, and the developing nations' share nearly doubled from 17 percent to 33 percent during the same period.²

A balance of payments deficit prompted policy changes to curtail imports in 1982. Actions included establishment of the Import Rationalization Committee, bans on luxury imports, tighter foreign exchange restrictions, and some limitations on private sector importers. While these changes did not signal a new trade regime, they did reflect a renewed emphasis on foreign exchange constraints, and the need to hold down imports while attempting to increase foreign exchange earnings from domestic productive activities such as agriculture and industry.

Import duties and taxes. Import duties and taxes vary significantly, depending both on the commodity and the importer. The GASC of the Ministry of Supply, the primary importer of basic agricultural products, is exempt from import duties (10). Private sector firms are not exempt, however. Hence, most bulk items comprising the mainstream of U.S. agricultural trade enter Egypt duty free because they are imported by the public sector. These items include grains, flour,

oilseeds, vegetable oils, and tallow. These commodities, together with sugar and meat, represent the bulk of Egypt's food imports (table 13). Powdered milk, soybeans, and soybean meal are duty free for both public and private sector firms.

Tobacco has an import duty, even though it is imported by the public sector, because it is a source of Government revenue. The Ministry of Economy, which controls public tobacco companies, pays an import duty of £E 10 per kg plus £E 0.69 (\$1) in other customs fees and £E 7 (\$10) for a treasury tax. In 1983, Egypt's 55,000 tons of imported tobacco generated \$742 million in Government revenue. Cigarettes imported by public sector companies are also subject to duties. This both generates revenue and in effect protects locally manufactured cigarettes (at £E 0.30 per pack) from imports (at £E 0.66 per pack).

Imports of poultry meat, beef, mutton, and rabbit meat are duty free for both public and private sector firms. There is, however, a 25-percent ad valorem duty for pork and a 50-percent duty for pork products (which are not widely consumed in this predominantly Muslim country). Milk, bulk butter, and certain types of cheese (white, Gouda, Edam, and processed cheese) are also duty free both for public and private sector companies. Most "consumer ready" products have duties, including canned cream (40 percent), packaged butter (5 percent), and other cheeses (5 percent) (38).

High import duties have limited imports of many luxury food items. The highest ad valorem duties for agricultural products are placed on beverages. For drinks and fruit juices, the duty is 150 percent. The duty on imported beer was recently raised to 450 percent. Canned fruit is taxed at 150 percent, partly to discourage luxury imports and partly to protect domestic fruit processing operations. Other high-value imports like fresh fruits and vegetables face moderate import duties (for example, 30 percent for apples).

Most imports of seed and other farm inputs enter duty free, even if not purchased by the Ministry of Agriculture, which is a major buyer of these items. The present duty for imports of shelled peanuts is 40 percent, 30 percent for unshelled peanuts, except for peanuts from Sudan which enter duty free.

Public firms also dominate the exports of many of Egypt's major agricultural commodities, including cot-

²See app. table 1 for more detail on agricultural trade policy changes.

Table 13—Production, trade, and supply for domestic use of selected commodities, annual 1971-82

Commodity	Unit	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982 ¹
Wheat and flour:													
Production	1,000 tons	1,732	1,618	1,838	1,884	2,034	1,970	1,696	1,933	1,856	1,796	1,938	2,017
Imports	do.	2,409	2,086	2,105	2,609	3,405	3,527	4,354	5,120	4,906	5,423	5,915	5,692
Supply	do.	4,141	3,304	3,643	4,493	5,439	5,497	6,050	7,053	6,762	7,219	7,853	7,709
Share of supply imported	Percent	58	63	58	58	63	64	72	73	73	75	75	74
Corn:													
Production	1,000 tons	2,342	2,421	2,508	2,641	2,782	3,047	2,724	3,197	2,938	3,230	3,232	3,347
Imports	do.	39	88	67	388	417	459	591	808	494	944	1,384	1,214
Supply	do.	2,381	2,509	2,575	3,029	3,199	3,506	3,315	4,005	3,432	4,174	4,616	4,428
Share of supply imported	Percent	2	3	3	13	13	13	18	20	14	23	30	27
Vegetable oils:													
Production	1,000 tons	135	164	151	171	132	129	127	125	117	133	146	155
Imports	do.	99	181	84	131	338	204	251	300	301	271	339	346
Supply	do.	234	345	235	302	470	333	378	425	418	404	485	528
Share of supply imported	Percent	42	52	36	43	72	61	66	71	72	67	70	71
Meat:													
Production	1,000 tons	320	335	345	360	387	411	427	438	448	457	487	512
Imports	do.	16	13	13	10	33	75	83	95	186	217	282	197
Supply	do.	346	348	358	370	420	486	510	533	634	674	769	709
Share of supply imported	Percent	5	4	4	3	8	15	16	18	29	32	37	28
Sugar, refined:													
Production	1,000 tons	633	604	633	577	550	626	662	635	668	662	658	725
Imports	do.	0	0	0	123	172	204	278	396	285	460	637	696
Exports	do.	120	20	39	51	44	39	58	45	28	9	10	10
Net supply	do.	513	584	594	649	678	791	862	986	916	1,113	1,285	1,411
Self-sufficiency ²	Percent	123	103	107	89	81	79	77	64	73	59	51	49
Rice:													
Production	1,000 tons	1,745	1,698	1,680	1,524	1,501	1,623	1,541	1,522	1,575	1,682	1,597	1,635
Imports	do.	0	5	0	0	0	1	2	3	2	7	1	8
Exports	do.	514	456	298	136	104	211	223	153	123	184	135	25
Net supply	do.	1,231	1,247	1,382	1,388	1,397	1,413	1,320	1,373	1,454	1,505	1,463	1,618
Self-sufficiency ²	Percent	142	136	122	110	107	115	117	111	108	112	109	101
Pulses:													
Production	1,000 tons	390	393	411	359	368	398	349	301	304	289	266	315
Imports	do.	10	33	8	17	151	131	68	110	94	106	196	115
Exports	do.	1	4	2	1	1	0	0	0	0	0	0	0
Net supply	do.	399	422	417	375	518	529	417	411	398	395	462	427
Self-sufficiency ²	Percent	98	93	99	96	71	75	84	73	76	73	58	73

¹Preliminary data.²Defined as domestic production as a percent of domestic utilization (net supply).

Source: (4, 38, 39).

ton, rice, onions, and oranges. These exports are effectively "taxed" to provide Government revenue, although the revenue earned by this practice fell steadily throughout the seventies and early eighties as the total value of agricultural exports declined from nearly \$1 billion in 1974 to \$640 million in 1982, a trend due mainly to declining cotton and rice exports.

Nontariff barriers to trade. The Government has used selective bans of particular commodities, along with import approval requirements, to limit some food imports. This policy was organized around the Import Rationalization Committee (IRC), which was established in 1982. The IRC imposed import bans (from February to June 1982) on frozen poultry, apples, bananas, various types of cheeses, and eggs (40). Approval requirements have been an additional trade barrier but the red tape involved seems recently to have eased somewhat.

Egyptian labeling requirements may constitute another type of nontariff trade barrier. Labels for consumer-ready food items shipped to Egypt must be in Arabic and in accordance with Egyptian regulations must show the product name, name of the producer or exporter, name of the Egyptian importer, country of origin, net weight, listing of ingredients by percentage (also percentage of fat and protein for beef products), and production and expiration dates. Meat product labels must affirm that the meat is derived from animals slaughtered according to Islamic rites. However, all of the required information except the production date, expiration date, and the slaughter affirmation may be added to the label by the importer after arrival in Egypt (40). Small U.S. firms may find the requirement for Arabic labeling a burdensome expense.

Inspections of food and plant materials by the health and quarantine departments have also been barriers to trade, partly because of the strict interpretation of the regulations. Port congestion can cause deterioration and quality problems for which suppliers are held responsible. An inefficient infrastructure and shortages of appropriate refrigerated transport and storage facilities magnify the effect of import inspection requirements.

Monetary controls. The Egyptian pound is not a convertible international currency. Until the midseventies,

Egyptians returning with hard currency were required to convert it into pounds within several days. However, exchange controls were loosened considerably in 1974, permitting the establishment of special foreign currency accounts in banks in Egypt. Funds from these accounts were then lent to importers (at higher than official exchange rates) to finance imports. The favorable atmosphere created by these policy changes stimulated foreign investment in the Egyptian banking system and facilitated access by private importers to foreign currencies.

Recent changes have made the private sector's access to foreign currencies more difficult. First, while Government-run banks would previously provide foreign currency to importers in general, those banks now do so only for public sector companies, forcing private sector firms to rely entirely on the "own exchange" system for foreign currencies. At the same time, new regulations have reduced the incentive of private banks and international firms to provide these funds (32). U.S. financing (such as under PL 480 and CIP) does not provide significant help to private sector importers; U.S. financing is now used almost entirely for public sector imports. Second, private firms must now deposit between 25 percent and 100 percent of the price of imports in convertible currency before receiving permission to import.

Recent trade policy issues. The various Government ministries have disagreed over Egypt's agricultural trade policy often in the early eighties. The system, developed in the sixties to provide public sector companies with a monopoly for exporting certain agricultural commodities, is now a major issue for those seeking changes in trade policy. Public companies set up to export sugar, rice, and other items usually oppose imports of their respective commodities, even if a serious domestic shortage causes problems for Egyptian consumers. This situation sometimes causes the Ministry of Economy to differ with the Ministry of Supply and Home Trade when imports of a new item are urgently needed. For example, the Ministry of Supply and Home Trade prevailed in its efforts to import more sugar, but a small export trade to West Africa is still conducted by the public sector sugar export agency.

With other commodities, import-export patterns have been similarly inconsistent. For example, imports of pulses increased sharply through 1981, but declined in

1982 when some pulses were again exported (table 13). Cotton imports in the late seventies posed no threat to the public sector companies specializing in cotton exports. Cotton may again be imported in 1985 because inexpensive imports free up valuable long-staple grades for export.

Rice imports issues. Imports of rice are allowed as long as they do not require foreign exchange. The EC donated about 7,000 tons of rice annually to Egypt during 1981-83, but the Ministry of Agriculture opposed larger imports of rice from other sources. The Ministry of Supply and Home Trade loses money on the current rice procurement and distribution arrangement. Rice export policy has changed often (app. table 1), and the debate over imports is complex in terms of finances, self-sufficiency goals, and national pride.

The recent change in Egypt's rice situation and the debate over allowing imports may constitute a case study which could apply to other commodities. The pride associated with traditional exports of rice, onions, and some other items cannot be erased immediately. Other Mideast countries have been less reluctant to allow seasonal imports of items which they also export, particularly Israel, Syria, and Lebanon.

Rice exports declined from 456,000 tons in 1972 to about 25,000 tons in 1982 (table 13). Production of milled rice in 1984 declined about 4 percent to 1.6 million tons, following a gain of about 4 percent in 1982. The area planted in rice declined slightly in 1984 as a disease spread in some varieties. Rising domestic consumption caused by population growth has caused exports to decline (the exportable surplus is a residual after domestic needs are met), although per capita consumption actually declined from a peak of 37.6 kg in 1971 to only 34 kg in 1984. Procurement price policy will probably have to change if production is expected to remain sufficient to maintain per capita consumption, but this policy debate is very delicate.

Egypt may become a significant rice importer. Some of the land used to grow rice could bring much higher profits to farmers if other crops were grown on it. The allotment system and procurement requirements currently force farmers to grow rice. The low procurement price limits profits to about \$175 per acre for the best farmers. Projections indicating that Egypt may need to import about 500,000 tons of rice by 1990 to

maintain per capita consumption have caused exporting countries to seek a foothold in this market for imported rice. Egyptian policy concerns may prevent or limit future commercial imports, but small donated shipments of rice may continue (40).

Prospects for obtaining extra concessional financing to import rice are subdued by the fact that Egypt does not wish to completely stop exporting rice, particularly the Camille variety. A country usually must agree not to export a similar or like commodity to qualify for PL 480 financing. Commodity Import Program loans from USAID do not have those restrictions, but those funds are needed for other items.

Rice consumption in Egypt, at 1.6 million tons in 1982, was slightly above the 1975 level of 1.4 million tons (table 13). If per capita use of rice returned to the 1975 level of 41 kg per capita, total consumption would rise to 1.84 million tons, requiring imports of more than 150,000 tons of rice by Egypt during 1985.

Factors Affecting Trade of Various Commodity Groups

Factors directly influencing the trade of various agricultural commodities in Egypt include consumption levels of various commodity groups, general dietary trends, and the domestic production and self-sufficiency trends of specific commodities and their substitutes. For discussion purposes, the commodities are organized into four major groups: grains and oilseeds; livestock, meat, and dairy products; field crops and horticultural products; and processed and high-value foods.

Consumption and Dietary Trends

The typical Egyptian diet, heavily based on cereals and pulses (especially wheat, rice, and broad beans), averaged 2,941 daily calories per capita in 1981, according to the Food and Agriculture Organization of the United Nations (FAO). Only about 158 of the daily calories were derived from animal products, less than one-half of the world average. Nevertheless, the 1981 caloric consumption represented a significant increase over the 1977 average daily caloric consumption of 2,787. Both figures are higher than the United Nations recommended minimum daily caloric consumption for the region (16).

Protein in the average daily diet is also derived largely from field crop products. Of the average daily per capita consumption of 78.4 grams of protein in 1981, only 9.8 grams were derived from animal products. The total protein consumption represents a slight increase over the 1975/77 average of 75.4 grams daily (table 14). However, protein derived from animal products actually declined somewhat from the 11.2 grams daily in 1977 (16).

Although per capita meat consumption has been steadily increasing during the past decade (from 10.1 kg annually in 1973 to 16.9 kg in 1983), it is still quite low. Meat is typically consumed daily in the urban areas, but in rural Egypt meat consumption is far less frequent.

Popular meats include beef, poultry, and lamb, although in rural areas water buffalo, camel, and pigeon are frequent substitutes. Seafood is very popular in coastal and urban areas where refrigeration is available. Eggs and cheeses are frequent meat substitutes, especially in the lower income rural areas.

A great many fruits and vegetables are available seasonally in Egypt, and a typical meal usually includes

cooked vegetables with fresh fruit often served as dessert. Heavily sweetened hot tea is the ubiquitous social beverage.

Egypt's food import needs cover a wide range of agricultural and food commodities (table 15).

Grains and Oilseeds

Egypt has not been self-sufficient in overall grain production during the last three decades. In 1960, about 20 percent of the total grain consumption was imported. By 1970, with a sharply increasing population growth rate, Egypt was still importing less than 25 percent of its total grain consumption of about 7 million metric tons annually. During the seventies, however, with both the population growth rate and per capita grain consumption increasing dramatically, the dependency on imported grain increased considerably (42). By 1981, grain imports reached 50.4 percent of total consumption. During the same period, per capita grain production apparently declined from 176 kg in 1970 to about 171 kg annually during 1980-82.

Wheat led the way in the decline of Egypt's grain self-sufficiency as imports nearly tripled from 1972 (2.1

Table 14—Daily per capita caloric intake, 1975-77 average

Commodity	Calories		Protein		Fat	
	Number	Percent	Grams	Percent	Grams	Percent
Cereals	1,851	66.6	49.9	66.2	12.6	25
Roots, tubers	37	1.3	.7	.9	.1	—
Sugar, honey	236	8.5	.2	.3	.1	—
Pulses	102	3.7	7.7	10.2	1.0	2
Nuts, oilseeds	22	.8	.9	1.2	1.9	3
Vegetables	84	3.0	3.8	.5	.6	1
Fruit	91	3.3	1.2	1.6	.5	—
Meat, offals	61	2.2	5.2	6.9	4.3	8
Eggs	6	.2	.5	.7	.4	—
Milk	41	1.5	4.2	5.6	1.6	3
Oils, fats	230	8.3	.1	.1	25.9	52
Others	18	.6	.1	1.3	.5	—
Total	2,779	100.0	75.4	100.0	49.5	100.0

— = Less than 1 percent.

Note: Totals may not agree with sum of items due to rounding.

Source: (15).

Table 15—Agricultural imports by quantity and value, 1979-83

Commodity	1979	1980	1981	1982	1983	1979	1980	1981	1982	1983
	-----1,000 tons-----					-----Million dollars-----				
Wheat	3,600	4,417	4,019	3,904	3,950	523	850	820	685	670
Wheat flour	934	724	1,399	1,280	1,665	265	234	390	315	310
Corn	494	944	1,384	1,214	1,680	44	172	230	155	250
Cottonseed oil	167	175	173	275	210	120	112	130	185	165
Soybean oil	24	37	92	21	60	43	40	60	26	45
Sunflower oil	95	40	47	28	40	27	20	25	20	30
Other vegetable oils	15	19	27	35	30	12	16	21	26	25
Butter, butteroil	36	39	44	39	49	59	68	96	92	110
Cheese	15	14	18	27	37	19	25	41	55	65
Preserved milk	28	32	48	67	75	17	25	75	81	122
Tallow	138	186	271	195	278	100	118	145	101	125
Tobacco	30	37	38	45	55	86	106	160	198	245
Tea	35	38	39	44	47	66	88	100	123	144
Sugar	285	460	696	686	780	152	271	423	198	225
Beans, peas, lentils	91	106	196	119	132	7	53	110	75	77
Potatoes	7	22	27	38	45	2	3	6	6	6
Sesame	31	39	47	54	67	31	35	50	60	64
Soybeans	53	na	19	53	75	15	na	9	15	20
Wool	8	5	9	10	11	49	50	60	61	55
Beef	92	100	123	135	119	143	153	205	217	221
Mutton	8	13	9	6	15	12	12	20	12	21
Frozen poultry	27	76	125	52	111	28	110	163	53	115
Canned meat	3	6	10	8	12	6	12	20	21	31
Coffee	11	4	7	9	11	12	na	4	17	27
Fruits, vegetables, and preparations	35	60	88	67	98	59	93	135	99	145
Other	NA	NA	NA	NA	NA	623	594	390	494	497
	-----1,000 head-----									
Cattle, live	30	28	197	185	265	9	8	98	120	160
Sheep and goats, live	20	22	33	35	36	2	2	5	5	5
Total	NA	NA	NA	NA	NA	2,523	3,287	4,012	3,496	3,977

na = Not available.

NA = Not applicable.

Source: (40).

million metric tons) to 1982 (5.7 million metric tons). Wheat production increased by less than 9 percent during the same period. With most other grains, similar trends developed. Although corn production increased somewhat, rice production generally declined during the seventies.

Wheat and Wheat Flour. Egypt was the world's third largest importer of wheat and wheat flour combined in 1983, after the Soviet Union and China (table 16 and fig. 2). In 1983 Egypt imported about 1.7 million tons of wheat flour (2.4 million tons wheat equivalent) and about 4 million tons of wheat (table 15). Egypt has been the world's leading importer of wheat flour in recent years. The growth of wheat and wheat flour imports slowed slightly during 1980-82 as Egyptians drew down stocks (table 17). However, imports could rise if efforts are made to replenish stocks. Concern about the shortage of foreign exchange and the rising foreign debt may hamper plans to rebuild stocks. Egypt plans to produce more wheat on new land developed in the desert. But even if wheat production does increase,

dependence upon imports is likely to remain about 75 percent.

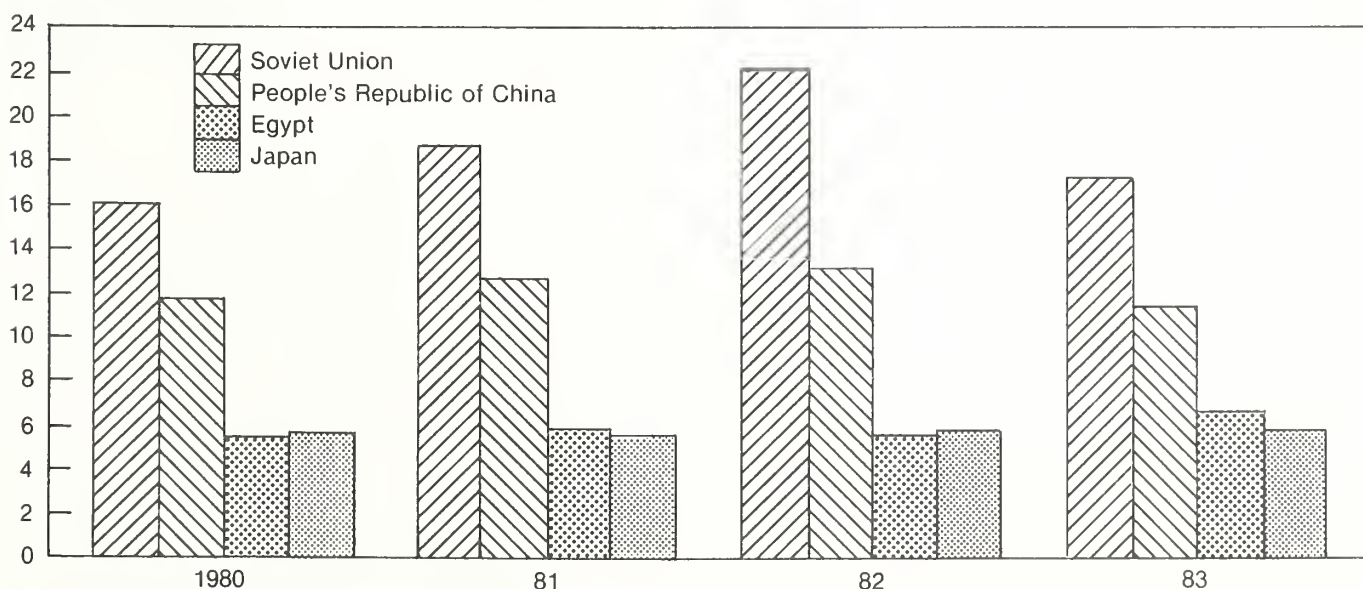
Competition among major suppliers for the Egyptian market is keen. The United States, the EC, and Australia combined usually account for 70 percent of total imports. There are wide annual fluctuations in the market share held by the United States and the EC for wheat and flour. The United States provided about 70 percent of the flour imports and 48 percent of the wheat imports in 1983 (table 18). In 1981 the EC provided 65 percent of the wheat flour. The U.S. share of the market may have declined in 1984 as deliveries by Australia and Canada reached record levels and as the EC greatly increased deliveries of wheat and flour.

Egypt was actually a net exporter of wheat in the late forties and was self-sufficient into the midfifties. However, the need for wheat, coupled with the availability of PL 480 financing for U.S. wheat imports and rapid population growth, helped increase wheat and flour imports in the late fifties and early sixties. Wheat imports declined sharply following the 1967 war, but began climbing in the early seventies. The most rapid growth in wheat and flour imports was during 1973-81.

Figure 2

World's Largest Wheat Importers, 1980-83

Million metric tons



Source: Based on data in table 16.

Table 16—World's largest importers of wheat and their principal suppliers, 1980-83

Importer and main suppliers	1980	1981	1982	1983
<i>1,000 tons¹</i>				
Soviet Union	16,032	18,677	22,160	17,185
United States	1,807	3,744	4,295	4,836
Australia	3,386	1,677	2,020	900
Canada	4,905	4,529	6,214	7,901
People's Republic of China	11,792	12,691	13,258	11,458
United States	6,369	7,617	6,870	2,458
Australia	1,998	1,261	2,102	760
Canada	2,627	3,065	3,526	na
Egypt	5,448	5,915	5,682	6,600
United States	1,744	2,563	2,499	3,852
Australia	1,549	1,612	1,910	1,104
Canada	0	26	152	92
Japan	5,682	5,633	5,713	5,816
United States	3,352	3,394	3,417	3,348
Australia	990	882	987	983
Canada	1,340	1,351	1,369	1,486

na = Not available.

¹Includes both wheat and wheat flour expressed as whole wheat equivalents.

Source: (38, 40).

In summary, the upward trend in Egypt's wheat imports stems from the following factors:

- The population growth rate rose sharply, increasing from 2.2 percent in 1972 to about 3 percent by 1981, remaining at 2.7 percent in 1983.
- The price of bread is heavily subsidized; the consumer pays only about 30 percent of the actual cost of providing the product at retail outlets.
- Wheat and wheat flour imports are arranged through concessional financing for at least half of the foreign purchases from various nations. Imports of U.S. wheat through PL 480 were about 1.5 million tons annually during 1980-84. Terms for PL 480 financing are very generous: after a 5-percent down payment, the loan has a 2-percent interest rate for a 10-year grace period and then a 3-percent interest rate during the 30 years of repayment.
- Domestic wheat production has remained relatively stable in recent years because scarce land was needed for other crops. Also, a shift of very fertile land from wheat to berseem clover and vegetable production has meant that new plantings of wheat in less fertile land recently reclaimed from the desert made it difficult to improve average yields. Wheat production has ranged between 1.8 million and 2 million tons in recent years. The low procurement price (about \$3 per bushel) has not encouraged an expansion

Table 17—Wheat and flour production, trade, and supply for domestic consumption, 1976-83

Item	1976	1977	1978	1979	1980	1981	1982	1983
<i>1,000 tons</i>								
Production	1,970	1,696	1,933	1,856	1,796	1,938	2,017	1,996
Imports	3,527	4,354	5,120	4,906	5,423	5,915	5,807	6,600
Supply for domestic consumption	5,497	6,050	7,053	6,762	7,219	7,853	7,824	8,596
<i>Percent</i>								
Imports as portion of consumption	64	72	73	73	75	75	74	77

Source: (4, 7, 38).

in the area planted in wheat. Changes in rotation requirements allowed some farmers to shift out of wheat, while State farms in desert areas expanded wheat area planted.

Future demand for wheat. Per capita income nearly doubled between 1973 and 1980 while the price for subsidized bread remained the same. As the foreign exchange value of the Egyptian pound has declined, the relative price of bread has also declined. Per capita consumption of wheat and products increased from 114 kg in 1972 to an estimated 192 kg in 1982, a gain of nearly 70 percent. Per capita consumption increases will probably not continue at this annual pace, and per capita wheat consumption may actually stabilize. However, the recent inclusion of the rural population in the subsidized balady bread distribution system makes it unlikely that the growth of per capita consumption will drop sharply in the next several years.

Also, consumption of bakery products and snack foods made largely from wheat flour is also rising.

Studies conducted in Egypt indicate a wide difference between the income elasticity for balady bread in urban and rural areas. In the early eighties, the income elasticity for balady bread in urban areas was about 0.07, compared with about 0.81 in rural areas, yielding an average of about 0.44 for the entire country, according to FAO. Some high-income urban areas actually showed a negative income elasticity of -0.1 for balady bread, but a high elasticity of 0.9 for cakes, cookies, and other fine bakery products.

The shift from cornbread to wheat bread in rural areas may contribute to the higher income elasticity there for wheat. Public bakeries use very little cornmeal in bread now, a practice which was widespread a decade ago. Also, the average rural diet contained 11 percent

Table 18—Principal U.S. agricultural exports to Egypt, fiscal years 1982-84

Commodity	Fiscal year 1982		Fiscal year 1983		Fiscal year 1984 ¹	
	1,000 tons	Million dollars	1,000 tons	Million dollars	1,000 tons	Million dollars
Wheat	2,032.0	315.1	1,897	290.7	1,598	221.1
Wheat flour	641.0	112.1	1,186	171.3	682	130.5
Corn	1,348.0	162.0	1,638	202.0	1,357	202.3
Vegetable oils	166.0	95.4	82	44.0	90	60.6
Tallow	185.0	83.8	232	91.4	249	123.5
Tobacco	10.0	41.2	5	35.3	6	25.8
Variety meats	7.0	6.9	17	17.4	23	24.3
Poultry, frozen	19.0	21.9	10	10.0	6	5.3
Beef	.6	.3	1	.5	1	1.0
Milk, nonfat dry	9.0	2.2	21	12.5	18	11.0
Butter	0	0	0	10.0	21	35.0
Cheese	0	0	0	0	7	10.0
Pulses	3.0	.9	2	.2	0	0
Soybeans	53.0	13.0	25	5.8	32	10.3
Soybean meal	10.0	2.8	22	5.6	14	4.3
Total ²	NA	883.0	NA	911.0	NA	881.8

NA= Not applicable.

¹Preliminary data for FY 1984. All years are U.S. Government fiscal years.

²Totals include other minor sales not listed individually in table.

Source: (37, 40).

fewer calories than the average urban diet in 1980-82, as rural residents are still catching up with the urban residents in dietary improvements.

According to preliminary trade data, Egypt's total grain imports may have reached 9 million tons in 1984, including 6.8 million tons of wheat and wheat flour and over 2 million tons of feed grains. Imports of wheat and wheat flour (in terms of wheat equivalent) combined declined to 5.8 million tons in 1982 from 5.9 million tons in 1981. The United States provided 3.85 million tons of wheat and flour during 1983, in contrast to 2.5 million tons in 1982 (39). The arrangement to send 1 million tons of wheat flour to Egypt contributed to the increase.

Australia's deliveries of wheat to Egypt declined from a peak of 1.9 million tons in 1982 to only 1.1 million tons in 1983, but preliminary reports indicate that they will total 2 million tons in 1984. EC exports of wheat flour to Egypt in 1982 were about two-fifths of the peak delivery of 1 million tons in 1981. French wheat flour deliveries to Egypt in 1982 totaled 567,000 tons, compared with only 473,000 tons from the United States. EC wheat flour shipments to Egypt in 1983 were about 300,000 tons, with considerable deliveries from the United Kingdom, Netherlands, Italy, and France. Their combined sales of wheat and wheat flour to Egypt rose 30 percent in 1983 to 1.5 million tons because of large French wheat deliveries. The volume approached 1.8 million tons in 1984. The EC's share of Egypt's wheat and wheat flour imports rose to 23 percent in 1983 while the U.S. share fell from 59 percent to 40 percent.

Rice. Rice production and consumption is particularly important because it is the only grain crop for which Egypt has a comparative advantage. Furthermore, rice has traditionally been one of Egypt's major agricultural exports, and rice is still a popular domestic food.

Although Egypt has generally been a net exporter of rice during the past decade, seasonal shortages have existed, and imports in 1983 reached 7,000 tons even as 21,000 tons were exported (table 19). Domestic production has averaged about 1.6 million tons annually since 1979, and exports have varied while generally declining from 223,000 tons in 1977.

Egypt maintained the same area planted in rice in 1984 despite pressure to shift more land to cotton and soybeans. Lower yields caused production of paddy rice to decline 4 percent to 2.3 million tons in 1984. Exports of about 25,000 tons or more will probably continue in 1985, despite the domestic shortage (table 19).

The income elasticity for rice in rural Egypt remains relatively high at about 0.8, according to FAO. This is higher than the elasticity in the urban open market of about 0.6 (17). Demand for rice sold outside the ration system operated by the cooperative stores increased sharply in the last 2 years. The open market price for rice of £E 200 per ton during the summer of 1983 was nearly double that reported 3 years earlier. The retail fixed price of about 10 piasters per kilogram in the cooperative stores is a consumer bargain when supplies are available. The shortages evident at the cooperative stores increased demand in the open market where prices recently rose to 50 piasters per kilogram.

Projects to reclaim marshes for the development of new rice fields in the northern Delta were a major focus of Egypt's agricultural development strategy in the late sixties. This effort may be reemphasized in coming years. For example, a new rice area may be developed on marshland in Sinai near Port Fouad. Some increase in rice output is expected in the future, despite difficulty in expanding the area planted, because the Government procurement price for rice was increased (in real terms) in 1983. Furthermore, the Ministry of Agriculture has recently placed major emphasis on increasing farmer participation in an integrated high-yielding variety program.

Rice, like wheat, is marketed both through the Government's mandatory procurement program and on the free market. Farmers' surplus production above the official procurement quota is worth much more on the free market. Egypt plans to export more rice in 1985 after 3 successive years of declining exports.

Feed Grains. Egypt produces about 4.4 million tons of feed grains annually, more than three-quarters of which is corn. Corn production, which has shown an upward trend since 1979, reach 3.6 million tons in 1984. Sorghum production has remained relatively steady in a range of 625,000 tons to 700,000 tons in recent years.

Corn dominates imports of feed grains, equaling about 75 percent of domestic output in the last decade. Corn yields are only about half of potential. Farmers are very short of fodder and animal feed when most of the corn is growing in the early summer because their temporary (summer) berseem clover crop must be plowed under as part of the cotton and rice rotation plans. Therefore, growing corn is commonly stripped of leaves to provide a green fodder for animals, greatly reducing its potential yield. The pressure on domestic fodder sources generally is increasing rapidly. In fact, the summer feed shortage for large animals became so severe in 1984 that Egypt was forced to import fodder (wheat straw from Australia) for the first time (40).

Egypt was virtually self-sufficient in corn production during the early seventies. During the last decade, however, imports have more than quadrupled from

388,000 metric tons in 1974 to nearly 1.7 million metric tons in 1983. During the same period domestic production has increased by 33 percent, but per capita corn utilization has climbed steadily from 83.7 kg in 1974 to 113.5 kg in 1983. Thus, although corn area, yield, and production have all increased steadily, domestic production has fallen further behind consumption and the shortfall has been made up with ever-increasing quantities of imported corn (table 20).

Consequently, Egypt imported 31 percent of its corn supply in 1983, and the present trends indicate that the gap between domestic production and consumption will continue to grow. The growth of corn consumption is a reflection of increased livestock and poultry production in both the public and private sectors. Furthermore, corn is sold to public sector firms at subsidized prices.

Table 19—Rice production, trade, and supply for domestic consumption, 1976-83

Item	1976	1977	1978	1979	1980	1981	1982	1983
<i>1,000 tons</i>								
Production	1,623	1,541	1,522	1,575	1,682	1,597	1,635	1,642
Imports	1	2	3	2	7	1	8	7
Exports	211	223	153	123	184	135	25	21
Supply for domestic consumption	1,413	1,320	1,373	1,454	1,505	1,463	1,618	1,628
Net exports	210	221	150	121	177	134	17	14

Source: (4).

Table 20—Corn production, trade, and supply for domestic consumption, 1976-83

Item	1976	1977	1978	1979	1980	1981	1982	1983
<i>1,000 tons</i>								
Production	3,047	2,724	3,197	2,938	3,230	3,232	3,347	3,509
Imports	459	591	808	494	944	1,384	1,214	1,635
Supply for domestic consumption	3,506	3,315	4,005	3,432	4,174	4,616	4,428	5,244
<i>Percent</i>								
Imports as portion of consumption	13	18	20	14	23	30	27	31

Source: (4, 37, 38).

The share of the corn crop used for bread for human consumption has declined, accelerating in the last several years as the consumption of subsidized balady (wheat) bread spread to the countryside. The income elasticity for cornbread is about 0.35 in rural areas and 0.34 for cities, according to FAO. Over 80 percent of the imported corn is used for animal feed, while a large portion of the domestic crop is used to make cornbread or is blended with wheat flour to make balady bread.

The United States provided all of the 1.4 million tons of corn imported in 1981 and over 97 percent of the 1.2 million tons imported in 1982.

The GASC subsidy for imported corn fluctuates, depending upon world market prices. Feedlot operators received corn and animal feed for about \$71 per metric ton, while the imported price ranged from \$125 to \$140 per ton in early 1983. If the feedlot operators were required to pay world market prices, Egypt might import less corn.

Greater corn imports could contribute to a more rapid pace for the output of livestock products. Most of the corn imported by Egypt in 1983 came from the United States with over 90 percent financed through blended credit or USAID's CIP program. If present trends continue, Egypt may import about 2.5 million tons of corn by 1985.

Oilseeds and Vegetable Oils. Egypt imports about two-thirds of its total supply of vegetable oils (table 21). Cottonseed oil accounts for most of the remaining domestic production, although the share provided by soybean oil is rising.

In fact, soybean production is one of the few bright spots in the Egyptian agricultural production scene. From a base of only 2,000 hectares (ha) with a total production of 2,000 tons in 1974, production increased to 162,000 tons grown on 75,000 ha by 1983. However, domestic production is still far less than the amount of soybean imports (table 22).

Demand for vegetable oils grew from about 140,000 tons in 1960 to 480,000 tons in 1983. Per capita consumption has apparently increased steadily and reached nearly 12 kg in 1982, double the 1960 level. Most of the vegetable oils and other cooking items are

imported by the GASC and sold to consumers at heavily subsidized prices.

While imports of all vegetable oils have increased steadily, the volume of specific types of oil has fluctuated widely. Total imports of vegetable oils increased from 204,000 tons in 1976 to about 346,000 tons in 1982 (see table 21). The striking increase in cottonseed oil imports to 275,000 tons in 1982 somewhat offset smaller imports of soybean oil and sunflower oil. Higher prices for cottonseed oil caused Egypt to sharply reduce purchases in the United States.

A dramatic shift to sunflower oil from the United States and Argentina occurred in 1983. Procurement officials at GASC are very responsive to changes in world prices and appear ready to switch to the least expensive type when necessary. Cottonseed oil has a competitive advantage in Egypt where both manufacturers and consumers are familiar with it. Local facilities can process crude cottonseed oil into a refined product for distribution to consumers. More expensive refined soybean or sunflower oil must be imported because local refining facilities for them are not yet available.

Soybean imports showed an upward trend during the late seventies through 1982 but declined in 1983 (table 22). This upward trend will probably resume in the late eighties as Egypt opens up new oilseed crushing facilities. Cottonseed output has fluctuated widely in recent years, depending upon official policies used to determine the area planted in cotton. Peanut production has lagged behind expectations because of the dependence upon increasingly expensive hand labor.

The remarkable rise in soybean production in recent years improved Egypt's oilseed production which had shown a severe decline on a per capita basis. Further gains in soybean production are expected, but not even self-sufficiency in soybeans is likely in the near future. Cottonseed production should also improve in the late eighties. These factors could boost Egyptian oilseed production to about 1 million tons by 1990.

Programs to develop new cropland in desert areas could considerably increase peanut production. About one-third of the crop, estimated at 35,000 tons in 1984, has been exported during recent years for excellent prices. Retail prices for peanuts used in snack

foods doubled between 1976 and 1981 and continued to rise through 1983.

Demand in the Egyptian food market is very strong for peanuts, sesame, and sunflower seed. Sesame is the basic ingredient for a popular food in Egypt called "tahini" and is used extensively in the manufacture of Egyptian sweets. Egypt imports a large volume of sesame from Sudan and other countries. Some new commercial ventures to grow sesame in Egypt with the use of mechanical harvesting for new varieties have been discussed.

In summary, overall imports of vegetable oils have displayed a strong upward trend in recent years.

Gains in the use of inedible tallow and butteroil, the oil produced by clarifying butter, for cooking tended to slow the pace of growth for imports of vegetable oils. U.S. exports of vegetable oils to Egypt in 1983 were only about half the 1982 level of 162,400 tons. Bargains available in the United States for cottonseed oil and attractive prices for Brazilian soybean oil contributed to the 1982 rise in vegetable oil imports.

Cottonseed and soybeans are the only oilseed crops used by commercial crushers in Egypt. The United States has remained Egypt's leading supplier of cottonseed oil in recent years, although special financing through CIP and CCC were needed to keep Brazil from moving into first place. Egypt's imports of U.S.

Table 21—Vegetable oil production, trade, and supply for domestic consumption, 1976-83

Item	1976	1977	1978	1979	1980	1981	1982	1983
<i>1,000 tons</i>								
Production	129	127	125	117	133	146	155	170
Imports	204	251	300	301	271	339	346	333
Supply for domestic consumption	333	378	425	418	404	485	501	503
<i>Percent</i>								
Imports as portion of consumption	61	66	71	72	67	70	69	62

Source: (4, 37, 38).

Table 22—Soybean production, trade, and supply for domestic consumption, 1976-83

Item	1976	1977	1978	1979	1980	1981	1982	1983
<i>1,000 tons</i>								
Production	11	27	79	106	92	130	166	162
Imports ¹	247	344	269	162	227	595	236	212
Supply for domestic consumption	258	371	348	268	319	725	402	374
<i>Percent</i>								
Imports as portion of consumption	96	93	77	60	71	82	59	57

¹Primarily soybean oil and soybean meal but expressed here as whole bean equivalents.

Source: (4, 7).

cottonseed oil fell from 206,500 tons in 1978 to only 80,762 tons in 1981, but rebounded to 158,000 tons in 1982 as CIP financing was increased. Constraints on CIP financing and more attractive prices for sunflower oil caused Egypt's purchases of U.S. cottonseed oil to decline by more than 50 percent in 1983.

U.S. cottonseed oil exports to Egypt doubled in 1982, reaching 158,000 tons valued at \$87 million, but declined sharply to 44,000 tons in 1983. U.S. cottonseed oil exports to Egypt during 1983-85 may average about \$70 million annually. The value for U.S. exports of other vegetable oils to Egypt during this period may range from \$20 to \$50 million annually, with strong gains for sunflower oil.

A reduction in CIP financing for farm products to only \$70 million in 1983 led to a decline in the use of these funds for vegetable oil purchases. The U.S. share of Egypt's vegetable oil imports declined from 98.8 percent in 1978 to only 46 percent in 1981, while Brazil's share rose from 1 percent to 38 percent.

The big shift to cottonseed oil in 1982 caused imports of two other major oils to decline. Soybean oil imports fell from a peak of 91,741 tons in 1981 to only 19,938 tons in 1982, but then climbed to about 60,000 tons in 1983. Brazil provided 30,450 tons in 1981 and nothing in 1982, while imports of U.S. soybean oil fell from 12,912 tons in 1981 to only 6,400 tons in 1982. Spain's deliveries of soybean oil reached a peak 27,845 tons in 1981 but fell to about 1,000 tons in 1982, before recovering in 1983. Soybean oil imports from several European suppliers also rebounded in 1983.

A private sector factory in the duty-free zone of Alexandria's harbor was expected to produce about 46,000 tons of soybean oil in 1983, double the 1980-82 average, as local production of soybeans was expected to rise. Plans to import more soybeans for crushing are underway (40). Furthermore, an Egyptian project to grow about 300,000 tons of soybeans annually by the late eighties will provide an important source of vegetable oil and oilcake for Egypt.

Egyptian consumers became familiar with sunflower oil in the late sixties when imports from the Soviet Union and Eastern European countries were arranged to take the place of U.S. cottonseed and soybean oil. Total imports of sunflower oil peaked at 94,900 tons in 1979

when Hungary, the United States, and Argentina were major suppliers. Hungary supplied 72 percent of the sunflower oil imports in 1979, and Romania was the top supplier in 1978 and 1980. The United States and Argentina were major suppliers in 1983 when about 83,000 tons were imported. Total imports of sunflower oil probably rose again in 1984.

Egypt's demand pattern for vegetable oils tended to exclude palm oil until recently. Very attractive prices offered by traders in Singapore caused Egypt to buy more palm oil in 1981, and the volume rose to 9,312 tons, quadruple the 1980 level. Malaysia became an important source of palm oil in 1984; preliminary trade reports indicate that total palm oil imports may have reached 10,000 tons in 1984.

Private firms accounted for a large part of olive oil imports which rose from 128 tons in 1979 to an average of 1,300 tons annually during 1980-82. Greece, Turkey, and Tunisia were the major suppliers. Imports of coconut oil were less than 1,000 tons annually during 1975-79, but the volume reached 6,257 tons in 1980, when Singapore provided 5,802 tons.

Future demand for cooking oils to prepare meats, potatoes, and bakery items should increase. Total demand for vegetable oil may have reached 510,000 tons or 13 kg per capita in 1984, up from 480,000 tons in 1983. Some shift from butteroil to vegetable oil may occur because of the price differential. For example, cottonseed and soybean oil can be imported for less than \$575 per ton in contrast to nearly \$2,000 per ton for butteroil.

Egyptian cotton production may increase again in the eighties because of strong demand from the domestic textile sector and efforts to maintain exports near the 1980-83 average. New varieties which provide higher yields are not emphasized. However, greatly expanding the area planted in cotton will be difficult because most of the 6 million acres of available cropland will be required for food crops. Demand for cottonseed is likely to grow faster than domestic output, despite some gains related to programs aimed at stimulating cotton output.

Livestock, Meats, and Dairy Products

This section discusses Egypt's production, consumption, and importation of livestock (primarily beef),

fresh and frozen meat, processed meat, and dairy products including milk, cheese, butter, and eggs.

Livestock and Meat. Egypt was virtually self-sufficient in meat production as recently as 1974, when domestic production satisfied about 97 percent of total consumption, but consumption of meat has increasingly exceeded domestic production during the last decade. During this period, meat production has increased by only 44 percent while total consumption has increased by 110 percent; the gap has been made up by ever larger imports. By 1983, Egypt imported one-third of its beef consumption and about 34 percent of its overall meat consumption (table 23). Underlying these trends has been a steady increase in annual per capita meat consumption from about 10 kg in 1974 to 17 kg in 1983, still relatively low by international standards. About two-thirds of total meat consumption is red meat, primarily beef. Although further gains in domestic meat production are likely, these gains will probably be unable to satisfy continuing growth in consumption (30).

The Egyptian livestock sector is predominantly composed of small holders, and animals play an important role in the prevailing integrated farm management system. Both cattle and water buffalo serve as draft animals on the farm and for transport. A typical farmer owns five or six large animals, including young stock, but little or no pasture. Because there are no natural pastures, all animals compete directly with field crops for scarce irrigated land (14). Thus, animals are usually confined and fed forage from plots of berseem clover

and a variety of other sources, and the livestock sector is severely handicapped by limited availability of feed, especially during the summer months. Nevertheless, Egypt has an extremely high livestock density. In 1982, the agricultural census revealed a livestock population of 2.3 million cows, 2.1 million water buffalo, 3.1 million sheep, and 2.4 million goats (32).

Although modern livestock feedlots have recently been established by public sector firms, they account for less than 10 percent of all cattle. However, the public sector plays an important role as the source of highly subsidized corn and feed concentrates. Recent studies have shown that the profitability of modern livestock operations (including modern poultry operations) depends on access to imported, subsidized feeds. Thus, local production has expanded slowly while significant increases in purchasing power have stimulated per capita consumption of meat. For example, total red meat production increased by an average of 2.6 percent annually during 1964-82, well below the annual population growth during the same period.

The shortage of foreign exchange for purchases abroad aggravated the domestic shortage of meat during most of the seventies. During 1980 and 1981, however, when Egypt had strong gains in petroleum revenues, foreign exchange funds to finance meat imports became available. Egypt's total meat imports in 1981 reached 282,000 tons, a ninefold increase in 10 years (table 23). Official concern about reduced foreign exchange income caused meat imports to decline in 1982, but they climbed again in 1983 (39).

Table 23—Total meat production, trade, and supply for domestic consumption, 1976-83¹

Item	1976	1977	1978	1979	1980	1981	1982	1983
1,000 tons								
Production	411	427	438	448	457	487	512	521
Imports	75	83	95	186	217	282	197	270
Supply for domestic consumption	486	510	533	634	674	769	709	791
Percent								
Imports as portion of consumption	15	16	18	29	32	37	28	34

¹Includes both red and white meat.

Source: (37, 38).

Beef consumption, at 440,000 tons in 1982, continues to exceed domestic output (about 300,000 tons in 1982) despite programs to increase output in public sector livestock projects and an upward trend in imports. The past decade has been marked by "meatless days" and price ceilings which indicate strong Government intervention in marketing of beef. However, programs to increase meat distribution through the cooperative stores at fixed (and subsidized) prices have also contributed to increasing consumption and, hence, increasing imports. Retail prices of imported beef, about £E 1.25 per kilogram in the cooperative stores, are relatively low. Concern about foreign exchange shortages has limited imports of beef, but low prices on EC and Latin American beef have contributed to a strong rise in import volume in the last 5 years.

To encourage domestic meat production and control retail meat prices, Government intervention in the meat market now permeates the sector from producer to final consumer. The major Government incentives for livestock producers include provision of highly subsidized feed concentrates and regulations which effectively limit imports of high-quality fresh meat in order to protect domestic producers. Domestic meat prices increased in 1982 to levels about 40 percent higher than international prices. Despite these protective policies, producer response has been slow partly because of undependable feed availability, unfavorable feed-meat conversion ratios due to the genetic characteristics of local animals, and the various retail price-fixing schemes.

Egypt's total imports of beef increased from only 92,667 tons in 1980 to about 133,000 tons in 1983. Argentina's shipments of beef to Egypt in 1983 were 31,000 tons, compared with the record deliveries of 78,000 tons in 1982. Larger purchases from Uruguay, the EC, and Brazil at relatively low prices of less than \$1,750 per ton partly offset smaller arrivals from Argentina (40).

The United States sent 127 tons of beef to Egypt in 1981 valued at \$532,000, but 1983 sales were minimal. In addition to larger purchases of Danish beef, Egypt imported more beef from France and Ireland in 1983 (table 24). International price competition has apparently constrained U.S. suppliers from capturing a significant share of the Egyptian imported beef market.

Meanwhile, EC deliveries in 1984 have been estimated at 65,000 tons—six times their 1982 level.

The overall poultry sector consists of about 4,000 producers with an annual output of about 60 million birds. Egypt was nearly self-sufficient in poultry production a decade ago, but recent demand growth has far exceeded production gains, leading to increasingly larger imports (table 25). Although small poultry pro-

Table 24—Imports of beef by country of origin, by quantity, 1980-83

Country of origin	1980	1981	1982	1983 ¹
<i>Tons</i>				
Argentina	16,671	38,729	78,000	31,000
Uruguay	6,013	43,711	38,900	58,900
France	23,604	5,571	2,870	8,000
Italy	28,550	13,449	4,061	4,500
Denmark	905	1,300	2,051	3,000
New Zealand	5,848	1,600	1,000	2,500
United States	71	127	200	46
Other countries	10,015	18,013	2,000	25,054
Total	92,667	122,500	129,482	133,000

¹Preliminary data.

Source: (39, 40).

Table 25—Total poultry production, imports, and supply for domestic consumption, 1978-83

Item	1978	1979	1980	1981	1982	1983 ¹
<i>1,000 tons</i>						
Production	115	119	136	140	144	150
Imports	9	27	76	124	52	120
Supply for domestic consumption	124	146	212	264	196	270
<i>Percent</i>						
Imports as portion of consumption	7	18	36	47	27	44

¹Preliminary data.

Source: (7, 37, 38).



Modern poultry operations, such as this one, are replacing family flocks as sources for both eggs and poultry meat.

World Bank

ducers predominate, some large modern poultry operations have been developed in the last decade, in both the public and private sectors. The modern operations produce about half the broiler and 10 percent of the egg production.

Because Egypt is not self-sufficient in feed grain production, the availability of imported feed is a major constraint faced by poultry producers (36). A public sector firm (General Poultry Company) is the primary source for subsidized feed and chicks. However, some poultry farms apparently continue to receive their allocation of subsidized inputs long after having discontinued poultry operations. These operators sell their allocations to other poultry producers who are short of feed, or sell their feed to producers of other livestock.

Per capita consumption of white meat (primarily poultry) has increased by 67 percent in the last decade

(from 2.97 kg in 1973 to 5.06 kg in 1981). In recent years, Egypt has imported from one-fourth to one-half of its total poultry consumption.

Imports of frozen poultry reached 120,000 tons in 1983, continuing a strong upward trend interrupted only briefly in 1982. A serious shortage of meat has considerably changed the attitude which existed in early 1982 when the Government tried to curtail meat imports, particularly frozen poultry. Domestic output of poultry meat rose only 14,000 tons in 1982 and rose about 15,000 tons in 1983 to 150,000 tons. Because domestic production is constrained by shortages of feed, it apparently cannot be expanded rapidly enough to replace imports. The ban on imports of frozen poultry during spring of 1982 caused open market prices for meat to rise. However, 30,000 tons of poultry meat in storage prior to the ban prevented sharp price increases. The greatest impact on meat prices came in late 1982 when meat imports declined

and stocks of imported poultry meat for public distribution were depleted. This triggered larger imports of Brazilian frozen poultry in early 1983.

The United States sent 66,100 tons of poultry meat to Egypt in 1981, but deliveries fell to about 3,400 tons in 1982 (table 26). U.S. sales of turkey and chicken parts increased to \$5 million in 1983, pushing the volume for all poultry meat back to nearly 10,000 tons, a U.S. market share of about 8 percent. However, the 1983 U.S. share represents a sharp decline of the U.S. market share which averaged about 50 percent during 1979-81 (table 26). USAID provided financing of \$20 million through CIP loans for sales of U.S. poultry meat in 1981, but this was not repeated in 1982. Egypt's 1983 poultry imports included 48,000 tons from Brazil, 17,346 tons from France, and 20,000 tons from other EC suppliers. The volume of U.S. poultry meat exports to Egypt tripled, but the average price was only \$1,000 per ton because of low prices on chicken and turkey parts included in the purchase. GSM-102 financing of \$7.6 million for frozen poultry in 1984 was not used. Problems with spoilage of imported poultry meat have been widespread because of inefficiencies in the distribution system and the almost total absence of refrigeration outside the major cities.

The growing demand for meat is reflected in the relatively high income elasticities for virtually all meat products. The income elasticity for poultry meat in urban areas is about 1.5, contrasted with 1 in rural communities. Income elasticity for eggs is about 1.4 in all areas of Egypt, according to FAO reports. The in-

come elasticity for beef among urban consumers in the seventies was about 1.4, compared with 1.2 for rural shoppers (17). The price elasticity for red meat is high, and total consumption may still rise even when prices are increasing rapidly on the open market. Most of the imported beef and supplies from public farms is sold at low fixed prices. The income elasticity for mutton of 1.04 in urban areas is slightly higher than the 0.93 for rural areas, according to FAO surveys.

Egypt's imports of mutton have varied between 3,000 tons and 15,000 tons annually during the past 5 years with no trend apparent. However, imports of live sheep and goats have increased annually. Uruguay and Australia are significant suppliers. The traditional trade of live sheep from Sudan and Ethiopia has declined in recent years as sellers found higher prices in Saudi Arabia. Imports of canned meat products have increased fourfold during the last 4 years.

Dairy Products. Egypt is not self-sufficient in the production of dairy products. There are virtually no natural pastures for dairy and livestock production, but about a third of the agricultural land is planted in berseem clover to provide forage for the large livestock population. Most domestic milk production (from both cows and water buffalo) is on small farms in rural areas and is consumed locally, never reaching the urban markets (36). However, the shortage of milk in cities has been eased in recent years through expansion of public sector powdered milk formulation plants and cooperative dairies. These modern dairies have been able to expand the supply of milk available for

Table 26—Imports of frozen poultry and U.S. market share, 1976-83

Item	1976	1977	1978	1979	1980	1981	1982	1983
<i>Tons</i>								
Total imports	2,554	6,622	8,582	27,453	75,853	123,950	52,000	120,000
Imports from the United States	44	5,880	5,787	13,522	45,049	66,100	3,400	19,260
<i>Percent</i>								
U.S. market share as portion of total	2	89	67	49	59	53	6	9

Source: (4, 37, 38).

urban distribution (in plastic containers) by mixing imported preserved milk in reconstitution plants.

About one-third of Egypt's total milk consumption was imported in 1983, largely in the form of powdered milk or processed dairy products. Significant portions of the milk, butter, and hard cheese supply in Egypt are imported, and a small portion of the soft cheese supply is also imported. Overall, imports of milk and milk products as a proportion of total domestic consumption approximately doubled between 1980 and 1983 (table 27). Present trends indicate that the value of Egypt's imports of dairy products may have reached \$375 million in 1984, and the U.S. market share may be about 15 percent.

Demand for dairy products in Egypt is rising at about twice the population growth rate of 2.8 percent annually. The rapid demand growth for dairy products is apparently because of historically low per capita consumption and because Government programs have expanded distribution of dairy products to larger segments of the population. Government cooperative stores now offer cheese, butter, and preserved milk at fixed prices which are less than the import costs (1).

Rising demand for a variety of dairy products has created a greater need for high quality fresh milk. Many restaurants and shops in cities now serve ice cream, sherbet, and cakes, dairy-based foodstuffs not popularly consumed in Egypt a decade ago. Greater urbanization and high wages received while working abroad have contributed to the increasing demand for ice cream and other dairy products. Ice cream production reached 7,500 tons in 1983, and yogurt production was about 10,000 tons. Output of ice milk rose to about 18,800 tons in 1983, and sherbet sales climbed to 7,500 tons.

As a result of changing tastes and higher incomes combined with historically low per capita consumption, income elasticities for dairy products are quite high. For example, the income elasticity for cheese in urban areas has been estimated at about 1.6, and the figure for butter is similar, according to FAO. Urban shoppers have an income elasticity for fresh milk of about 1. Rural consumers have an income elasticity for cheese of about 0.9, compared with 1.4 for butter (17). They are apparently more familiar with butter than with some of the European varieties of cheese.

Although annual domestic milk production has increased slightly in recent years to an estimated 2.1 million tons annually during 1981-83, the shortage of pasture land constrains further expansion of dairy production unless imports of feed grain are greatly increased. The subsidy of about \$100 per ton on imported feed implies that importing dairy products may be more efficient than attempting to further expand domestic production. However, increasing domestic milk production remains a high priority as consumers apparently prefer fresh or blended milk over that made from powdered milk. Milk output of modern dairies has expanded in recent years as public sector projects have been developed. Imported dairy breeding stock from Austria, Ireland, Denmark, and other countries has helped Egypt boost the quantity of milk produced by each cow (40).

Table 27—Total production, imports, and supply for domestic consumption of dairy products and eggs, 1980-83

Item	1980	1981	1982	1983
<i>1,000 tons</i>				
Cheese:				
Production	238	240	242	243
Imports	14	18	28	37
Supply for domestic consumption	252	258	268	271
Butter and butteroil:				
Production	64	65	66	67
Imports	38	44	36	42
Supply for domestic consumption	102	109	107	111
Milk: ¹				
Production	1,972	2,023	2,060	2,091
Imports	320	400	670	750
Supply for domestic consumption	2,292	2,423	2,730	2,831
Eggs:				
Production	90	100	110	113
Imports	4	31	19	24
Supply for domestic consumption	94	112	113	125

¹Production figures indicate domestic production of fresh milk; imports include various forms of preserved milk expressed here as fresh milk equivalents.

Source: (7, 37).

The overall increase in milk production in recent years is attributable to the expansion of public sector dairies. Milk output in the traditional sector, where farmers typically own one to three cows, has shown little gain (36). As is the case with livestock and poultry production, studies indicate that the profitability of milk production in Egypt depends upon the availability of imported, subsidized feed grains. For example, butter and cheese can apparently be imported for less than the cost of processing the same quality products in Egypt. Domestic production of soft cheese has increased slightly in recent years, but it is more competitive with yogurt than with the aged cheeses imported from Europe and the United States. Domestic production of soft cheese exceeds 140,000 tons annually. Cottage industries produce most of the soft cheese and part of the 8,000 tons of aged cheese processed annually.

The volume of dairy products imported has shown a strong upward trend in the last 5 years. Imports of all dairy products totaled about 170,000 tons in 1983 in contrast to only 65,000 tons in 1976. The value of Egypt's imports of dairy products reached an all-time high level of about \$300 million in 1983. This figure included about 750,000 tons of preserved milk (see table 27).

The EC remains the dominant supplier of Egypt's imports of dairy products, providing over 75 percent of the butter and cheese and over half of the imported dry milk. EC export rebates and special EC economic assistance to Egypt have both contributed to its market development. EC exports of dairy products to Egypt jumped from \$35 million in 1976 to an average of about \$150 million annually during 1980-82. Preserved milk, butter, butteroil, and cheese imported from the EC are all now regularly available to consumers in Cairo and Alexandria in the cooperative stores.

Imports of preserved milk surpassed 67,000 tons in 1982 for a value of about \$89 million. The bulk of this total was dry milk used for blending with local milk at modern facilities in major cities. Distribution of pasteurized milk in plastic containers has increased markedly in recent years. Imports of preserved milk are likely to continue upward because it is a less expensive ingredient for preparing reconstituted milk made by blending dry milk with domestically produced fresh milk.

Distribution of milk by dairies to urban shops and consumers doubled between 1978 and 1983. Imports of dry milk increased from 27,000 tons in 1978 to about 62,000 tons in 1982. EC shipments of dry milk to Egypt doubled between 1979 and 1982 when the volume was about 50,000 tons, mostly because of the EC export subsidy. The Netherlands, Germany, and France were the major sources of Egyptian imports of dry milk in 1981, while Belgium was the leading supplier in 1980, possibly because surplus stocks of EC dairy products are stored in Belgium.

U.S. exports of nonfat dry milk to Egypt rose to about 18,000 tons in 1982, dropped to 11,000 tons in 1983, and held steady in 1984 at 18,835 tons. Egypt's imports of preserved milk from all sources may reach 125,000 tons in 1985, including about 10,000 tons of condensed milk.

Domestic output of butter has shown little change in recent years. Some butter is made in villages from water buffalo milk, but most urban consumers now rely upon imported butter and butteroil for cooking beef, mutton, chicken, and preparing bakery products. Egypt's imports of butter and butteroil increased from only 14,224 tons in 1977 to nearly triple that volume in 1983. The volume was expected to reach a record 45,000 tons in 1984.

France and Finland now provide much of the butter used in restaurants and hotels in Egypt. Egypt imported over 400 tons of butter annually from Finland during 1978-82. New Zealand sent 480 tons of butter to Egypt in 1976, but very little during 1977-82 because the EC began to dominate the market. EC exports of butter and butteroil to Egypt in 1982 were in the vicinity of 31,000 tons, compared with a peak of 41,000 tons in 1981 (40).

The delivery of 21,710 tons of U.S. butter in Egypt in fiscal years 1983 and 1984 apparently influenced imports of vegetable oils. Total imports of butter and butteroil increased over 40 percent in 1984 to approximately 60,000 tons. The effect on EC butteroil sales in Egypt of the rising deliveries of U.S. butter is unknown. Because of the shortage of cooking oil, there is a possibility that purchases of EC butteroil will remain near the 1980-83 average.

Egyptian imports of cheese in 1983 totaled 37,000 tons, a threefold increase in 5 years, with 35,400 tons

supplied by the EC. Denmark made special arrangements to send about 1,000 tons of cheese per month to Egypt in 1982 when the IRC reportedly had considered banning cheese imports. Danish shipments reached 9,800 tons in 1982, and remained steady in 1983. This caused Denmark to emerge as the top supplier, surpassing the Netherlands. The Netherlands and Finland were the leading sources of cheese imports in 1980 providing 4,800 and 3,400 tons, respectively. Finland has special arrangements to sell cheese to Egypt which eluded recent efforts by the IRC to curtail cheese imports.

Egypt has been a small consumer of U.S. cheese in the past. A program for the delivery of cheddar cheese valued at \$1 million was successful in 1965, and small U.S. commercial shipments occurred in recent years despite EC dominance of the market for quality cheese. The recent program to send 10,000 tons of cheese with payments made in local currency was the followup of earlier market development exploration activities. However, actual shipments were only 6,728 tons because of concern about mold on the U.S. cheese. The United States sent small quantities of cheddar cheese to Egypt before the large sale was arranged for local currency in late 1983, which was mostly delivered in 1984. The staggered deliveries of U.S. cheese did not displace EC cheese, but rather contributed to the upward trend in total imports. Because of the shortage of meat and animal protein in the average Egyptian diet, per capita cheese consumption will probably increase as incomes rise.

Tallow. Egypt produces very little commercial tallow, and most of the tallow used in the rapidly expanding soap and cosmetics industry is imported. Tallow imports reached 271,000 tons in 1981, declined temporarily to about 195,000 tons in 1982, and rebounded to 278,000 tons in 1983 (table 15). The upward trend continued in 1984, as the volume rose to about 275,000 tons. The United States provided over 80 percent of the imports in 1981-83. U.S. shipments of tallow to Egypt reached 232,000 tons in 1983, and increased slightly in 1984 (table 18). The EC and Sweden are other major suppliers of tallow.

The Soviet Union was an occasional supplier of Egyptian tallow imports in the sixties and early seventies. Egyptian exports of cosmetics to the Soviet Union have increased rapidly in recent years, leading to increased

use of imported tallow. Exports of soap and cosmetics are scheduled to rise. Greater imports of tallow from the EC are anticipated, as arrivals through the CIP and blended credit provided by the United States decline. However, the United States will probably maintain a large share of the Egyptian tallow market.

Field Crops and Horticultural Products

This section covers the production, consumption, and trade of major field crops and horticultural commodities, except for those fresh and preserved fruits covered in the section on processed and high-value food products.

Pulses. Egypt's pulse production and consumption has been characterized by erratic fluctuations during the past decade (see table 13). In the early seventies, Egypt was virtually self-sufficient in pulse production, but during 1980-82 Egypt became the world's second largest importer of pulses after Mexico (39). In recent years, Egypt has used increased procurement prices and introduction of new varieties to achieve a recovery in dry bean production and to reduce the dependence upon imports for its vital supplies of pulses. Pulses are a major protein source because bean paste is an extremely popular food often consumed with balady bread as a meal. However, even with the recent production increases, Egypt still imports about one-fifth to one-quarter of its total pulse needs (table 28).

Imports of pulses by Egypt have fluctuated widely in recent years, ranging from a peak of 196,000 tons in 1981 to only 63,000 tons in 1983. Attractive prices and financing for lentils and dry beans from Turkey, the United States, and the EC, combined with Egypt's subsidy system, caused an upward trend in consumption during 1977-81. Concern about the drain on foreign exchange reserves, changes in concessional financing arrangements, and a larger domestic crop of beans caused imports to decline moderately in 1982, and even more in 1983.

As rural residents have migrated to urban areas, the supply of farm labor available for growing and harvesting pulses has diminished. Government efforts to promote the continued rebound in production of dry beans are scheduled to increase production

Table 28—Total pulse production, imports, and supply for domestic consumption, 1977-83

Item	1977	1978	1979	1980	1981	1982	1983
<i>1,000 tons</i>							
Production	349	301	304	289	266	315	320
Imports	68	110	94	106	196	115	63
Supply for domestic consumption	417	411	398	395	462	430	383
<i>Percent</i>							
Imports as portion of consumption	16	27	24	27	42	27	20

Source: (4, 37, 38).

beyond 300,000 tons in 1985. However, no similar rebound for lentils is planned.

The quantity of pulses imported annually by Egypt is determined by several factors. First, consumption fluctuates depending upon domestic production and the extent of pulse distribution in the cooperative stores. Second, the availability of pulses on the international market at relatively low prices fluctuates greatly. For example, if Turkey or the United States has a large supply of lentils or dry beans at attractive prices, GASC often imports a larger volume. Third, the availability of favorable credit terms is also an important consideration. Imports from the United States during 1980 and 1981 depended upon financing from CIP funds. Finally, the trade policy or political relations with countries offering to send pulses to Egypt at attractive prices must be considered. For example, Syria was a major supplier of lentils (in exchange for rice) in the seventies before political differences stemming from the Camp David peace treaty with Israel caused this trade to diminish. Currently, Turkey is an important customer for Egyptian petroleum exports; therefore, pulses and other foodstuffs from Turkey are now favored. Turkey became the major supplier of lentils in 1981 when their deliveries reached 67,848 tons.

GASC handles virtually all pulse imports and distributes the imported lentils and dry beans to cooperative stores, where they are sold at regulated prices. The growth in Egypt's imports of pulses began in the midseventies when GASC procurement officials bought dry beans in Europe. Barter trade agreements with certain countries also provided beans and lentils

at prices below the prevailing world market prices. For example, Egypt has sent rice to Syria in exchange for lentils and fruit products in recent years.

Egypt's imports of lentils declined from a record 101,000 tons in 1981 to less than half that volume in 1983. Local production of lentils fell to only 5,500 tons in 1983, in sharp contrast to the 52,000 tons produced in 1974. However, production increased modestly to about 10,000 tons in 1984, apparently in response to higher prices. Turkey's 1983 deliveries of lentils to Egypt totaled only 31,000 tons as total lentil imports fell to 42,000 tons, less than half the level recorded in the comparable period of 1982. If large supplies of lentils are available at attractive prices in Turkey and the United States, total Egyptian lentil imports could rebound to about 50,000 tons by 1986.

Fluctuations in Egypt's lentil imports from other suppliers has opened up the market for U.S. lentils at various times. Through CIP financing from USAID, U.S. lentil exports to Egypt began in 1980, and deliveries doubled in 1981 to about 11,000 tons. The loss of Egypt as our second major market for lentils has adversely affected the outlook for U.S. lentil exports. Since the CIP funds in 1982 were granted to Egypt, commodities with a higher priority than pulses were chosen for the \$350 million allocated. There is a possibility that some lentils could be included in PL 480 sales or blended credit in the future.

Imports of other dry beans have fluctuated even more widely than have lentils. The recent increase in local production of beans may prevent a repeat of the large

imports recorded in 1981, when the volume was about 92,000 tons. Domestic production of broad beans, for example, rebounded to 260,000 tons in 1982 and imports of dry beans declined drastically (table 29).

U.S. exports of dry peas to Egypt began with about 1,400 tons in 1981. U.S. exports of dry peas posted strong gains, particularly for yellow peas, hitting 6,000 tons in 1982. Careful market research and advertising is needed to develop the market for U.S. varieties of dry beans in Egypt.

The protein content of the average Egyptian diet has been improved greatly in recent years, partly through increased consumption of pulses. Consumers purchase dry beans and lentils at heavily subsidized prices.

Domestic production of broad beans, the most commonly consumed Egyptian pulse, increased 9 percent

in 1983 to 295,000 tons in response to higher prices. Greater use of improved varieties and phosphate fertilizer was responsible for the rebound in dry bean production. Thus, the declining production trend of the seventies apparently has been reversed. However, the downward trend for lentils continued as 1984 production was about one-fifth the 1970-74 annual average of 52,000 tons.

The small program to send U.S. dry beans to Egypt under PL 480 in the past has encountered problems. Egyptian consumers are not familiar with some of the dry bean varieties grown in the United States; for example, their reception of pinto beans was not favorable. Consumers have been more receptive to American white beans, particularly the Great Northern variety, which resemble broad beans.

In summary, Egypt imported over 25 percent of its dry beans consumption and over 92 percent of its lentil consumption in 1982; by 1984 the import share fell to 10 percent for dry beans and 78 percent for lentils.

The income elasticity for lentils among urban consumers has been estimated at -0.2, compared with 0.1 for dry beans and 0.4 for green beans, according to FAO. Rural consumers, who depend on pulses as a primary protein source, have an income elasticity of 0.12 for lentils and 0.6 for dry beans.

Given current domestic production trends, Egypt's pulse imports may reach 180,000 tons by 1987 and possibly 300,000 tons in 1990, if favorable trade and financial arrangements are secured. U.S. exports of lentils to Egypt may rise from 11,000 tons in 1981 to about 50,000 tons in the late eighties, again if attractive financing can be arranged.

Tobacco. Although tobacco is used widely in Egypt, it is not produced domestically because a law forbidding individuals to grow it was enacted about a century ago as a measure of ensuring tax revenue, and because tobacco served as a host for cotton pests. As a result, Government revenues from import duties on tobacco and tobacco products were about \$782 million in 1983 as the consumption of imported tobacco continued to rise. Egypt is now one of the fastest growing importers of tobacco in the world.

Table 29—Imports of pulses by quantity and country of origin, 1980-83

Country of origin	1980	1981	1982 ¹	1983 ¹
<i>Tons</i>				
Lentils:				
Turkey	57,556	67,848	78,000	31,000
Syria	5,050	17,999	6,000	2,000
United States	5,493	10,968	0	0
Ethiopia	0	2,952	6,400	4,000
Others	525	1,200	1,000	5,000
Total	68,624	100,967	89,400	42,000
Dry beans:				
Netherlands	0	53,143	2,000	1,000
Belgium	6,830	0	2,000	1,000
Ethiopia	6,800	6,922	4,000	3,000
United Kingdom	0	19,240	1,000	1,000
Canada	11,567	6,228	4,000	6,000
Poland	11,459	5,954	1,000	0
Others	180	1,100	1,600	2,000
Total	36,836	92,657	15,600	14,000
Dry peas	500	2,800 ²	6,000	7,000
Total pulses	105,950	196,424	111,000	63,000

¹Preliminary data.

²Includes 1,398 tons from the United States.

Source: (37, 38).

Imports of leaf tobacco approached 50,000 tons in 1984 as efforts to meet the cigarette demand continued (table 30). Latin America, Africa, Greece, and Turkey account for most of the annual import increases. U.S. tobacco is favored for blending in the manufacture of Egypt's top cigarette brands.

The U.S. market share of Egypt's imported leaf tobacco purchases has declined since 1978 because of strong competition from suppliers in Greece, Brazil, and southern Africa. About 31 percent of Egypt's tobacco imports in 1978 came from the United States, but by 1983 the U.S. share was down to 20 percent. Problems in obtaining PL 480 financing and a reduction in financing through CIP loans contributed to the decline. U.S. tobacco exports to Egypt were about 9,850 tons in 1983, valued at approximately \$41 million, and about half of the shipments involved financing through CIP and blended credit programs (table 30). GSM-102 financing provided by the United States for tobacco in 1984 was increased to \$65 million, funds sufficient to provide about 12,000 tons of tobacco. This should have allowed a strong increase in U.S. tobacco exports to Egypt in 1984.

Trade agreements involving Egyptian imports of tobacco from countries which are good markets for petroleum have favored the competitors of the United States. Greece rivals the United States as the major supplier for Egypt's imported tobacco. Shipments from Zimbabwe, Zambia, and Malawi combined may have exceeded 7,000 tons in 1983. Turkey exported over 3,500 tons of tobacco to Egypt in 1983, nearly double the 1980 volume. Brazilian shipments of flue-cured

tobacco to Egypt in 1983 were about 10 times the volume of only 252 tons in 1977.

Direct imports of cigarettes accounted for about 5 percent of total cigarette sales during 1980-82. The United States and the United Kingdom have accounted for most of the cigarette imports in recent years. The quality and flavor of brands containing U.S. leaf tobacco are preferred.

Domestic brands of cigarettes sell briskly at the official price of £E 0.30 per package of 20, while the price for imported brands sold in special shops is about £E 1.25 per pack. "Cleopatra," the most popular brand, recently introduced an extra long version selling for about £E 0.60 per pack.

The shortage of domestic cigarettes has contributed to a strong demand for imported cigarettes. Egypt's cigarette imports averaged about 3,500 tons annually during 1980-82 for a value of \$35 million.

Given present consumption trends, Egypt's total tobacco imports from all sources may approach 60,000 tons in 1985 with a value exceeding \$300 million. The public sector cigarette factories were scheduled to boost output to about 52 billion pieces in 1983, double the level recorded 7 years ago (38). However, the overall shortage of cigarettes is so serious that shops frequently sell out within 30 minutes after deliveries are made. Demand for cigarettes will probably continue increasing at a rapid pace because urban men alone now account for most of the sales. Demand in rural areas is still low, but rising rapidly.

Table 30—Unmanufactured tobacco imports and U.S. market share, 1976-83

Item	1976	1977	1978	1979	1980	1981	1982	1983
<i>Tons</i>								
Total imports	22,966	29,038	29,453	30,260	34,694	42,457	45,000	49,028
Imports from the United States	4,374	6,949	9,055	8,495	5,188	9,261	9,900	9,800
<i>Percent</i>								
U.S. market share as portion of total	19	24	31	28	15	22	22	20

Source: (4, 38).

Processed and High-Value Food Products

This section covers imports of high-value items (excluding livestock products) including processed foods, bakery products, confectionary products, fresh fruits, preserved fruits, and beverages and ingredients.

Processed Foods. Egypt's imports of processed foods increased sharply in the late sixties and peaked in 1981. New financial regulations and actions by the Import Rationalization Committee caused imports of processed foods to decline sharply in the summer of 1982, but various modifications of these nontariff barriers allowed a recovery in 1983 (table 15). Imports of processed foods have increased for several reasons:

- With higher average income levels, more consumers can now afford processed foods.
- Changes in banking and foreign exchange regulations made it easier for private firms to arrange imports of specialty food items during 1979-81. However, in early 1982 the IRC again made it more difficult to import nonessential foods.
- Millions of Egyptian wage earners have become familiar with processed foods while working in other countries and seek similar products when returning home.
- Private sector food procurement firms have been established solely for importing specialty foods for international hotels and other businesses which cater to foreign tourists.

Some processed foods which are popular with Egyptians who have worked in other countries are not yet produced in Egypt. These items include peanut butter, frozen bakery products, raisins, prunes, dried figs, and canned blueberries. Small quantities of canned peaches, apricots, and pears are produced in Egypt, but consumption of the imported versions of these items is greater.

Furthermore, the "own exchange system" has created greater opportunities for private importers to obtain foreign exchange for imports. Private sector firms purchased considerable imports in 1982 despite the new import restrictions which attempted to sharply reduce imports of semiluxury foods.

Egypt received a variety of horticultural products from Syria through trade agreements up until 1979. Syrian foods had the advantage of duty-free entry through the Arab Common Market arrangement. The disruption in trade with Syria in 1980 led to Egypt's importing much larger quantities of preserved fruits, nuts, and pulses from Turkey. For private importers, procurement from Turkey meant paying import duties which are passed on to consumers as higher prices.

Revenues from tourism fell 25 percent in 1982, and measures to curtail imports of many processed food items sold to tourists may have contributed to the decline. Some import restrictions were relaxed in the spring of 1983. Sales of U.S. beef liver and turkey parts then rebounded as firms catering for international hotels, the primary buyers of processed foods, again placed orders.

Soup imports continued a strong upward trend through 1983. Spain, Switzerland, and France were the major suppliers of soup imports which totaled \$8 million in 1982. Powdered soup from Switzerland has been popular, with sales valued at about \$6 million in 1982. Switzerland granted Egypt a number of special tariff concessions for seasonal fresh produce, and these concessions apparently helped the Swiss capture 82 percent of the Egyptian imported soup market.

Imports of processed foods from various countries recovered in 1983 because of new trade policy arrangements. Imports of tomato products from Turkey increased and EC sales of candy and snack foods made a strong showing. Imports of beverage ingredients for bottling plants were scheduled to rise to over \$10 million in 1984. Shortages of local foods caused prices to rise to levels which spurred managers of international hotels to seek larger imports, despite obstacles in obtaining foreign exchange. U.S. exports of selected food and beverage items for importers exempt from import duties are rising. This category includes some petroleum firms, foreign embassies, and Egyptian importers in duty-free zones, particularly the Suez Canal.

The IRC banned imports of various processed foods in 1982, and new regulations for the handling of foreign exchange by banks also reduced imports of some processed foods. However, imports of items destined for use in public sector factories continued to rise. For

example, imports of almonds, filberts, and cocoa butter for use in candy increased.

Imports of beer for sale to foreign tourists at international hotels increased through 1983. A new consumption tax substantially raised prices for alcoholic beverages sold to tourists in hotels. Furthermore, the consumption tax tended to reduce the spread between prices charged for imported beverages and local brands, increasing the demand for imported brands. However, domestic suppliers provided a greater share of the bakery products and breakfast foods used by the large hotels. Imports of cakes and pastas declined. Margarine imports remained strong. Greater domestic production of soft drinks reduced imports of non-

alcoholic beverages. Imports of tomato paste from the EC and Turkey increased in recent years as the use of this product by canneries greatly exceeded domestic supply.

Bakery Products. Egypt's imports of fine bakery products reached a peak of about 1,000 tons valued at about \$2 million in 1980 and declined somewhat during 1981-82 when foreign exchange regulations made it more difficult for private importers to buy special bakery items (table 31).

Catering services for international hotels and foreign tourist consumption accounted for a large portion of the demand for cakes and frozen pies. Imports of

Table 31—Imports of bakery products and U.S. market share, 1978-83

Item	1978	1979	1980	1981	1982	1983
<i>Tons</i>						
Fine bakery products: ¹						
Total imports	306	315	1,050	970	730	840
Imports from the United States	3	48	55	73	12	18
<i>Percent</i>						
U.S. market share	1	15	5	7	2	2
<i>Tons</i>						
Pasta:						
Total imports	5,145	5,212	1,122	486	485	690
Imports from the United States	0	1	0	16	17	20
<i>Percent</i>						
U.S. market share	0	0	0	3	3	3
<i>Tons</i>						
Breakfast cereals:						
Total imports	5,065	7,336	980	1,690	1,225	1,500
Imports from the United States	5,003	7,290	936	1,620	1,100	1,400
<i>Percent</i>						
U.S. market share	99	99	95	96	90	93

¹Includes biscuits, cookies, and cakes.

Source: (4, 38).

bakery products from France have declined sharply since 1980, but Greece and Denmark remain as important sources of cakes.

France accounted for about half of Egypt's import of fine bakery products in 1980, and the United Kingdom supplied about 10 percent. British biscuits and cookies in attractive tin containers have apparently continued to enjoy a growing demand.

Sales of frozen pies, particularly apple and cherry pies processed by U.S. firms, did well in 1980 and 1981. However, Greece doubled exports of bakery products to Egypt between 1980 and 1982, while sales by both the United States and the EC declined.

Confectionery Products. Domestic production of candy products is expanding rapidly in Egypt, and the quality has improved in recent years. In the late seventies, there was a shortage of chocolates because the public sector factory in Alexandria, The Royal Chocolate Factory, closed operations temporarily. That shortage of domestic candies triggered larger imports of chocolates, especially from the EC and Switzerland.

Chocolate imports have shown an upward trend in recent years, despite the 150-percent ad valorem import duty. Imports increased from about 700 tons in 1979 to about 1,200 tons in 1982, and the value rose from \$3 million to about \$4.5 million. The decline in the value of the British pound and low prices of certain brands caused the average price for Egypt's chocolate imports from the United Kingdom to decline from \$4.38 per kg in 1980 to \$4.02 per kg in 1982. British deliveries of chocolates increased slightly from 238 tons in 1980 to 273 tons in 1982.

Italy's shipments of chocolates to Egypt rose from 177 tons in 1980 to 205 tons in 1982, while Greek sales fell from 215 to 134 tons. Switzerland sells about 100 tons of chocolates annually to Egypt and possibly an equal amount to Egyptian travelers returning home from jobs abroad. U.S. chocolate sales have been small, mostly to firms in the duty-free zones near the Suez Canal.

Imports of nonchocolate candy and chewing gum combined remained steady at about 2,000 tons annually during 1979-83, although the suppliers changed radically. Greater domestic production caused imports

of chewing gum from South Korea to decline from 1,446 tons in 1979 to less than 350 tons in 1982.

Imports of sugar preparations from Greece, Italy, and the United Kingdom have increased sharply in recent years. U.S. shipments of sugar preparations to Egypt rose from 2 tons in 1979 to 196 tons in 1980 and remained above 100 tons annually during 1981-83.

Fresh Fruits. Fresh fruit imports, primarily apples, peaches, and pears, averaged 50,000 tons during 1981-83. However, restrictive actions by the IRC caused fresh fruit imports to slow in 1982-83.

Purchases of fresh figs and dried fruit have fluctuated widely in recent years, depending on Egypt's relations with certain countries. Concessions to Syria, Lebanon, and Iraq through the Arab Common Market led to Egypt's becoming a significant fruit importer. Turkey has filled the trade gap in figs caused by the cessation of Syrian and Iranian imports.

Italy, France, Lebanon, and the United States have been major apple suppliers to Egypt in the past, but the 30-percent import duty poses a major marketing barrier. Many Egyptian workers returning from Saudi Arabia or Europe apparently bring 10 kg of apples with them. This is the maximum quantity permitted duty-free into Egypt. The popularity of these carry-aboard purchases is understandable, however, given the fact that Red Delicious apples cost about £E 0.70 (\$1) each at fruit stands in Cairo. U.S. exports of apples to Egypt fell from about 1,500 tons in 1981 to less than a third that volume in 1983 as EC sales also dwindled. No U.S. apple sales were reported in 1984. However, a significant market for U.S. apples could probably be developed if the import duty were removed and if CIP financing became available.

Lebanon accounted for over half of the 25,000 tons of apples imported in 1981. The 1982 import ban on apples did not include Lebanon in the final analysis. Egypt sends more fresh vegetables to Lebanon with duty-free entry than the volume of apples purchased from Lebanon. This trade and the Arab Common Market arrangement caused Egypt to continue buying over 16,000 tons of Lebanese apples annually in 1982 and 1983.

Latin American countries, primarily Ecuador and Honduras, supplied most of the imported bananas. Banana

imports rose from 11,969 tons in 1981 to 19,158 tons in 1982. This total included 4,998 tons from Israel.

Egypt has periodically imported small quantities of pears and peaches in recent years, with Greece and Italy as the major suppliers. U.S. pear exports to Egypt reached 110 tons in 1981, but no further sales have been reported.

Preserved Fruits. Preserved fruit imports, both dried and canned, rose from about 3,000 tons in 1977 to a peak of 11,000 tons in 1981, but imports declined in 1982 and again in 1983. Arab Common Market suppliers provided over 70 percent of the dried fruit imports and over half of the canned fruit during 1977-80. Turkey emerged as a major supplier in 1982, when public sector firms arranged a waiver of the import duties for suppliers not belonging to the Arab Common Market.

Edfina and Kaha are the two public sector firms responsible for canning fruit in Egypt. Imports of fruit paste from Syria, Turkey, and Eastern Europe have been purchased for these factories to produce more canned goods when local supplies were inadequate. Most of the small cans of preserved fruit prepared by these public firms are sold at subsidized prices in cooperative stores.

Syria and Iraq were the two major suppliers of Egypt's imports of dried fruit until 1978. However, imports from these two suppliers are no longer significant. Also, imports of jam from Syria and Hungary through trade agreements have dwindled.

Imports of raisins increased from 756 tons in 1977 to 2,600 tons valued at \$4.2 million in 1981, including 100 tons from the United States. Lebanon, Turkey, and Greece have been the major suppliers of Egypt's raisin imports in recent years. A special U.S. program provided 1,200 tons of raisins for school children in 1984.

Imports of dried figs climbed from 152 tons in 1978 to over 2,000 tons in 1981, valued at \$2 million. Turkey, Lebanon, and Greece were the major suppliers. Egypt imported about 2,000 tons of fig paste annually from Syria in the late seventies, but this trade ended in 1981, possibly explaining the great rise in dried figs imports.

Imports of canned pineapples from Thailand rose to 74 tons in 1981. Malaysia has also been a major supplier. However, because consumers are more familiar with canned pears, apples, apricots, and dried fruit, canned pineapple appears to have a limited market in Egypt.

Duty-free purchases of fruit juices are about \$1 million annually. Most of these products are sold to foreign tourists. Lebanon, Singapore, and the United States are the major suppliers of Egypt's imports of fruit juices. Imports of fruit pulp to expand domestic production of fruit juices may increase significantly in the near future. Modern machinery for preparing canned fruit and fruit juices was installed in domestic processing plants through the CIP program. However, the factories currently operate far below capacity.

Beverages and Ingredients. Egypt spends about \$200 million annually for imports of beverages and ingredients used to prepare them. The upward trend in tea and coffee imports is expected to continue. Imports of ingredients used by the expanding soft drink industry fluctuate widely. Much of the imports of soft drinks and beer are for tourists or foreigners residing in Egypt. However, the popularity of bottled soft drinks is spreading rapidly throughout Egypt. Small shipments of beverages by mail order firms to diplomats and petroleum engineers in Egypt may not be counted by the Bureau of the Census if the value per shipment is less than \$250.

Tea. Higher prices pushed Egypt's tea imports to about \$125 million in 1984. Egypt's demand for tea increased markedly in the seventies. Hot tea is a popular drink in both urban and rural areas, and both tea and coffee are served by many small shops which specialize in these beverages.

Tea shipments to Egypt are probably greater than the official customs reports indicate. Exports to the duty-free zones and small orders made by private importers may be part of the reason. Official tea imports by Egypt in 1983 totaled about 50,000 tons for a value of about \$85 million—up from only 24,000 tons in 1980. A large share of the tea is received through trade agreements. India, Sri Lanka, China, Kenya, and Indonesia are the major suppliers. Tea imports from Sri Lanka have remained steady at over 8,400 tons annually in recent years while imports from China, Kenya, and Indonesia fluctuated widely.

Imports of tea in small consumer-ready packages from the United Kingdom and the United States are often omitted from the official statistics compiled by Egypt's customs. British tea exports to Egypt average about \$1 million annually. Hotels and restaurants are the primary markets for these fancy grades of tea.

Coffee. Coffee imports have shown a strong upward trend in recent years. Per capita coffee consumption is apparently greater in the cities. Urbanization, migration to work in other countries, and greater use of restaurants have contributed to increased coffee consumption.

Coffee imports fluctuate widely depending upon quantities purchased through trade agreements. Coffee bean imports declined from 3,400 tons in 1977 to less than 1,000 tons in 1978 but have climbed steadily since.

Brazilian coffee shipments are increasing considerably because of a bilateral trade arrangement whereby petroleum is exchanged for an array of agricultural products. Egyptian imports of Brazilian coffee doubled to reach 6,721 tons in 1982 and continued rising through 1983. Cameroon, Kenya, and the United States (for processed coffee) are minor sources. U.S. sales of instant coffee to Egypt range from only \$100,000 to \$350,000 annually.

Soft Drinks. Production of soft drinks in Egypt increased to about 3 billion bottles in 1983—double the 1977 quantity. The average retail price for an 8-ounce bottle is about 15 cents. Powdered drink preparations are increasing in popularity as many rural residents now mix concentrated soft drink preparations and water to prepare drinks for less than 1 cent per glass.

The United States, Spain, and Argentina are major suppliers of beverage ingredients used by the soft drink industry. The value for these imports ranges from \$35 to \$50 million annually. Argentina supplied \$15 million worth of syrup for Egypt's soft drink industry in 1981. U.S. exports of beverage ingredients to Egypt have moved upward in recent years, reaching a value of \$10 million in 1983.

Trends in Egypt's Agricultural Imports

The dramatic upward trend in consumption of most agricultural commodities in Egypt during the recent

decade stemmed from a combination of factors. Greater exports of petroleum provided an extra boost to an economy which was already beginning to prosper because of international economic aid, remittances from workers abroad, and rising income from the services sector. Further expansion of the extensive consumer subsidy system serving a rapidly growing population provided a ripe setting for remarkable gains in per capita consumption of most foodstuffs. These factors, combined with a largely stagnant agricultural sector, have led to an increasing agricultural trade deficit and an ever-widening food gap.

Grain consumption during 1980-82 was nearly double the level recorded a decade earlier as grain consumption increased steadily during the last decade. About half of the 16 million tons of grain consumed in 1983 was imported, in contrast to only 23 percent of the supply in 1973.

Consumption of livestock products increased at an even faster pace than cereals, partly because new policies relaxed restrictions on using foreign exchange for importing semiluxury items. Pulse imports fluctuated widely, depending upon their international availability, price, and domestic production.

Consumption of processed foods increased sharply in the late seventies, and the pace has slowed only slightly in the early eighties. Demand for sugar continued to rise rapidly, causing import needs to climb. Consumption of fruits and vegetables increased so rapidly that public sector companies had problems obtaining supplies.

The upward trend for Egypt's imports of a number of agricultural products continued in 1983, particularly for wheat flour, dairy products, tobacco, and sugar. Agricultural imports will probably continue to increase. Efforts to replenish stocks and higher world prices for certain commodities pushed the value to about \$4.4 billion in 1984 and possibly \$5 billion by 1985. Imports will continue to become more diversified, with a greater share of the total value spent for tobacco, tea, meat, and dairy products.

Wheat imports remained about the same at 4 million tons in 1983 because most of the extra bread was made from imported wheat flour. The special arrangement to buy 1 million tons of U.S. flour at a subsidized price made it easier for the Egyptian Government to

implement its food policies as total wheat flour imports increased over 33 percent. The shortage of meat contributed to a rebound in frozen poultry imports. Egypt also imported more corn and soybean meal to boost domestic meat production.

Preliminary estimates indicate that the value of Egypt's agricultural imports increased 12 percent in 1983 to about \$3.9 billion, up from about \$3.5 billion in 1982. However, overall imports of all farm products have shown a steady upward trend from \$1 billion in 1976 to a peak of \$4 billion in 1981.

U.S. exports of wheat and wheat flour, corn, and tallow to Egypt showed a strong upward trend during 1973-83. Exports of frozen poultry, vegetable oils, and horticultural products fluctuated widely, depending upon financing and Egyptian trade policies. The United States sold cotton and lentils to Egypt in several years when specific programs encouraged this trade, and then stopped. U.S. exports of tobacco to Egypt showed a moderate upward trend which was enhanced by three types of financing.

Exports of U.S. wheat and wheat flour to Egypt reached a peak of 3.35 million tons in 1983, up from 2.6 million tons in 1982 and an annual average of only 1 million tons during 1973-75. Shipments in 1984 declined somewhat, but the trend for exports of wheat and wheat flour to Egypt should continue upward throughout the eighties. The continuation of the upward trend depends, in part, upon the availability of financing in the United States and the extent of competition from the EC, Australia, and Canada.

Shipments of U.S. corn to Egypt showed a marked upward trend through 1983 when the volume reached 1.6 million tons. However, this trend may slow for three reasons: competition from Argentina and the Sudan may hamper further growth in sales of U.S. feed grains; CIP and blended credit financing may be more difficult to obtain for corn; and the subsidy of over \$100 per ton of corn imported by GASC for distribution to farmers may inhibit growth in future imports.

The upward trend in horticultural imports through 1981 was slowed in 1982 and 1983 by import policy changes. However, the ban on imports of certain high-value foodstuffs proved to be temporary. New trade agreements with Lebanon, Turkey, and Jordan and

special trade arrangements with the EC will make it difficult to avoid increased imports of horticultural products unless Egyptian production grows more rapidly. Rising prices and shortages have been reported for many fruits and vegetables, particularly apples, onions, garlic, and melons.

Meat and dairy imports will probably continue rising, depending upon credit terms and prices offered by foreign suppliers. Attractive prices for poultry from Brazil, beef from the EC and Argentina, and dairy products from the EC and the United States led to larger imports of these items during 1973-83.

Egypt's mounting foreign debt and shortage of foreign exchange led to increased reliance on U.S. financing and guaranteed financing for purchases of U.S. farm products in 1983-84. Direct shipments of U.S. farm products to Egypt peaked at \$950 million in fiscal year 1981, dropping to \$883 million in fiscal year 1982.

The final total value of U.S. agricultural exports to Egypt (free-alongside-ship (f.a.s.) value, including transshipments through Canada) in fiscal year 1983 increased only 1 percent to \$913 million, but exports outside of U.S. Government programs declined to about \$190 million. This represents a decline of over \$300 million for cash sales of U.S. farm products to Egypt since 1981.

Purchases shifted from semiluxury commodities to more essential commodities in 1982. Wheat, wheat flour, corn, vegetable oils, tallow, and tobacco accounted for 93 percent of U.S. agricultural exports to Egypt in 1982, up from 82 percent of the total for these items in 1981. This commodity composition reflects the shift in trade policy from the relatively open-door policy of 1980 and 1981 to the partially restricted entry of semiluxury items in 1982 and 1983. The value of U.S. agricultural exports to Egypt declined from \$967 million for direct shipments in 1981 to only \$803 million in 1982, and shipments of frozen poultry fell from \$75.6 million to only \$2.9 million, thus accounting for about half of the decline. Sales of other high-value products also declined drastically in 1982, including eggs, beef, and variety meats.

U.S. Share Declining

The United States provided about 28 percent of Egypt's agricultural imports in 1983 (table 32, fig. 3),

Table 32—Annual value of agricultural imports from principal suppliers and their market shares, 1977-83

Country	1977	1978	1979	1980	1981	1982	1983 ¹
<i>Million dollars</i>							
United States ²	565	602	653	804	1,168	923	1,116
EC	226	393	502	947	974	681	800
Greece	24	85	33	30	36	42	50
Australia	177	172	191	201	209	267	235
Brazil	32	32	37	56	100	131	250
Turkey	12	9	18	10	30	63	82
India	4	14	27	19	28	29	31
Argentina	13	25	29	26	33	135	110
Uruguay	9	7	1	3	52	60	55
Cuba	9	27	12	28	92	115	135
Lebanon	6	9	5	16	26	30	31
Syria	15	26	10	5	5	4	3
Sudan	19	22	10	13	37	38	40
Switzerland	4	29	14	11	8	9	14
Singapore	6	13	13	22	40	41	6
Romania	1	38	17	23	11	30	21
Total ³	1,671	2,142	2,520	3,263	4,012	3,497	4,000
<i>Percent</i>							
United States	34	28	26	25	29	26	28
EC	13	18	20	29	24	19	20
Greece	1	4	1	—	—	1	1
Australia	11	8	7	6	5	7	6
Brazil	2	1	1	2	2	4	6
Turkey	—	—	—	—	—	2	2
India	—	—	1	—	—	—	—
Argentina	—	1	1	—	—	4	3
Uruguay	—	—	—	—	1	2	1
Cuba	—	1	—	—	2	3	3
Lebanon	—	—	—	—	—	—	—
Syria	—	1	—	—	—	—	—
Sudan	1	1	—	—	—	1	1
Switzerland	—	1	—	—	—	—	—
Singapore	—	—	—	—	1	1	—
Romania	—	2	—	—	—	—	—
Total ³	100	100	100	100	100	100	100

— = Market share is less than 1 percent.

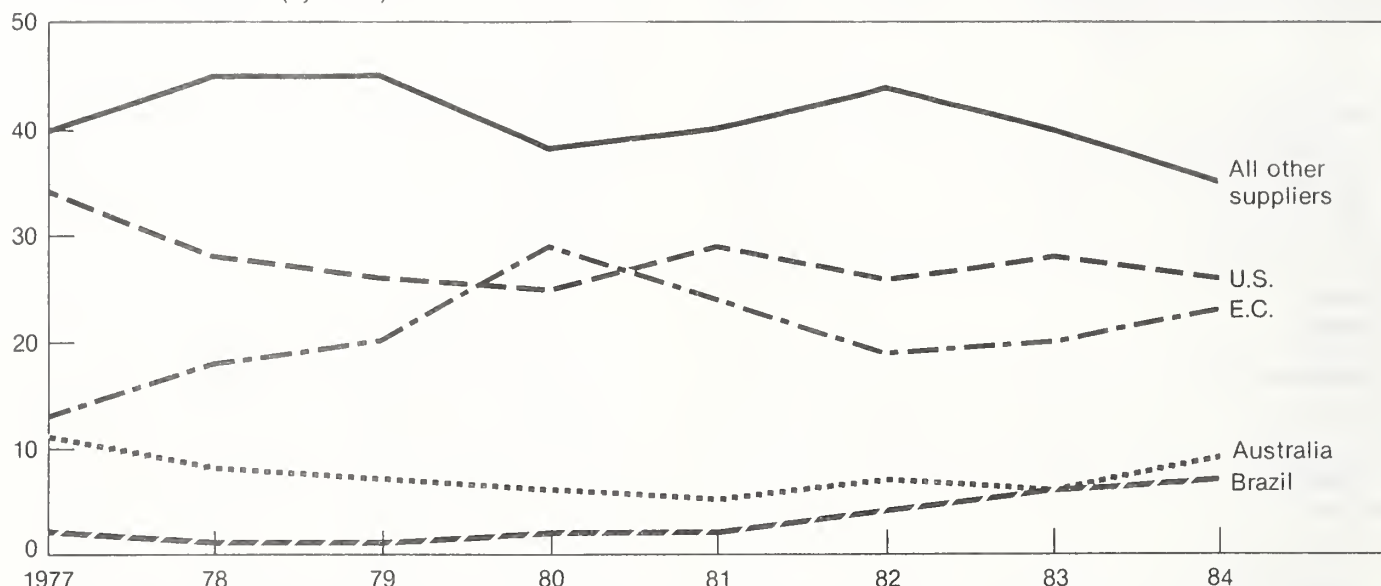
¹Preliminary data.²Adjusted to include value added by transportation from U.S. to Egypt. Data for 1982 and 1983 include U.S. transshipments through Canadian ports.³Total includes other minor suppliers not listed individually.

Source: (37, 38).

Figure 3

Market Shares of Egypt's Major Agricultural Suppliers, 1977-84

Percent of total market (by value)



Source: Based on data presented in table 32 and E.R.S. estimates for 1984.

but preliminary data indicate that the U.S. share declined to about 26 percent in 1984 (39). Strong gains by Australia and Canada for wheat, combined with gains by the EC and Latin America for a wide range of items, will probably cause the U.S. market share to decline again in 1985. New financial programs to expand sales of wheat flour and dairy products lifted the total value of U.S. agricultural exports in 1983. But larger sales of wheat, sugar, and beef by the EC, frozen poultry by Brazil, and various commodities by Turkey and other suppliers prevented a rise in the U.S. share of Egypt's 1984 total agricultural imports.

Most of the increase in value of U.S. imports during the last several years is due to larger concessional purchases of grain and flour. However, imports of tobacco, tallow, and dairy products increased sharply in 1983. Cash sales of U.S. farm products reached a peak of about \$550 million in 1981, retreated in 1982 to less than \$400 million, and fell sharply to \$227 million in 1983 even as concessional exports to Egypt climbed.

In comparison, Egypt's imports from the EC climbed steeply in the late seventies and reached a peak of

\$974 million in 1981. They remained below that value in 1982 as deliveries of wheat flour, poultry meat, and pulses declined. However, EC sales of dairy products remained strong during 1982-84.

Competition Among Major Suppliers. The U.S. share of Egypt's agricultural imports averaged nearly 40 percent during 1974-76, but declined to about 28 percent by 1983. The U.S. market share will probably decline further throughout the eighties. Part of the reason for the decline is the renewed emphasis by Egypt on bilateral trade agreements with Eastern Europe and developing countries to barter petroleum for farm products and manufactured goods. Concern about the rising foreign debt and problems in obtaining adequate credit or grants from certain suppliers will contribute to the trend toward greater diversification of suppliers.

Agricultural imports from the EC increased markedly in the late seventies and reached \$947 million in 1980 when the EC market share of 29 percent surpassed the U.S. share. EC agricultural exports to Egypt in 1984 approached \$1 billion, with preliminary data indicating

that much larger wheat, wheat flour, cattle, beef, and sugar sales were recorded.

Brazil's agricultural exports to Egypt increased rapidly in the seventies and reached a record \$250 million in 1983. Brazil is a major supplier of frozen poultry, vegetable oils, sugar, and tobacco, and its share of the overall Egyptian market has increased from 2 to 6 percent since 1980.

Australia should expand its wheat sales to Egypt in the future beyond the 2 million tons scheduled for 1984. Australia is also a substantial supplier of sugar and an occasional provider of beef, mutton, dairy products, and preserved fruits.

Argentina's wheat, beef, and corn exports to Egypt fluctuate widely depending on world prices and sales to other customers. Argentine agricultural exports to Egypt averaged about \$100 million annually during 1981-83, about a 4-percent market share. Uruguay and Paraguay are intermittent beef suppliers.

Turkey emerged as an important supplier of pulses, dried fruit, and tobacco for Egypt in the early eighties. Egypt's sales of petroleum to Turkey are scheduled to rise, providing payments for greater imports at attractive prices on many items. Spain is occasionally a significant supplier of wheat, vegetable oils, eggs, and high-value farm products.

Egypt has planned to import more farm products from Sudan for decades. Imports of more sorghum, livestock, sesame, and gums from Sudan were scheduled for 1984, but Sudan cannot currently export sorghum. Imports from Ethiopia and Somalia, especially pulses, have declined in recent years.

Imports from China are diversified, including tobacco, tea, canned meat, and preserved fruit. China's large cotton crop caused exports by Egypt to this major market to decline in 1983, and Egypt's 1984 imports of various items from China also fell.

Agricultural imports from Eastern Europe have shown a downward trend in recent years, except for Romania. As Egypt attempts to sell more petroleum and cotton to these markets in the future, imports of canned meat, wheat flour, and preserved fruit from these countries may recover in the mideighties.

Forecast of U.S. Agricultural Exports to Egypt in 1986

The magnitude of U.S. agricultural exports to Egypt in 1985 and 1986 will depend heavily on financial arrangements. The current purchasing trend suggests 1985 sales will have an aggregate value of approximately \$1 billion, about the same level as 1981. Egypt received blended credit and GSM-102 credit guarantees for nearly \$291 million in 1983, and \$209 million of this type of credit was arranged for Egypt in fiscal year 1984. The fiscal year 1985 allocation for Egypt includes \$136 million in blended credit for about 850,000 tons of wheat. GSM-102 financing guarantees have also been approved for \$75 million of tobacco, \$35 million of cotton, and \$14 million of feed grains.

Egypt has Title I, PL 480 allocations for \$225 million scheduled for fiscal year 1985 purchases. From the Egyptian viewpoint, this financing is preferable to GSM-102 guarantees. Title I financing carries a 3-percent interest rate for 30 years, following a 10-year grace period with a 2-percent interest rate. Egypt hesitated to request GSM-102 financing in 1983 and 1984 when others were busy making their applications because of the concern about the rapidly rising short-term foreign debt. In contrast to the very soft terms of Title I credit, GSM-102 financing must be paid off in 3 years to commercial banks, and the interest rate (which is near the prevailing U.S. prime rate) is 11 to 12 percent at this writing.

The lack of extra arrangements for GSM-102 guarantees now casts strong doubt on what will happen to U.S. exports of a number of commodities to Egypt in 1985. Title I, PL 480 can provide \$225 million for purchasing about 1 million tons of wheat and 364,000 tons of wheat flour in 1985. Other PL 480 funding already approved may provide \$18.7 million for 80,000 to 100,000 tons of wheat and wheat flour. U.S. wheat and wheat flour exports to Egypt in 1985 may exceed 3 million tons, still below the 3.8 million tons recorded in 1983, unless some financial innovations appear on the scene.

Sales by competitors (especially the EC and Australia) were up sharply during 1984, while U.S. sales of wheat and corn declined. Australia sent 2 million tons of wheat to Egypt, and the EC sent more than 2 million tons of wheat and wheat flour in 1984. Canadian wheat shipments exceeded 600,000 tons, and Argentina sent over 90,000 tons of wheat. Total Egyptian im-

ports of wheat and wheat flour were estimated at 6.8 million tons in 1984 and should increase to nearly 7 million tons in 1986.

Egypt began to diversify feed grain imports in 1983 with purchases of corn from Argentina, whose corn market share increased from 6 percent in 1983 to 14 percent in 1984, and continued this policy in 1984. Egypt's total feed grain imports increased about 15 percent in 1984 to some 2 million tons. This increase followed a 50-percent increase in 1983. U.S. corn was the major feed grain import, rising from 1.6 million tons in 1983 to about 1.7 million tons in 1984, as imports of feed grains from other sources also rose. A potential shift of more land back to cotton production may cause the area planted in corn to decline in 1986. Dairy product imports should rise to nearly \$450 million in 1986. Dairy imports in 1984 included \$44 million of butter and cheese from the United States with payment in local currency, but this purchase will not be repeated in 1985. Imports of EC dairy products should continue a strong upward trend (table 33).

Meat imports should total about \$500 million in 1986, with increased purchases of EC beef and Brazilian poultry. Imports of turkey parts from the United States should continue because of strong demand from hotels catering to foreign tourists. U.S. frozen poultry exports should remain steady at \$10 million because of concessional sales. The GSM-102 allocation of \$7.6 million helped maintain a U.S. presence in the poultry market which would be unlikely if sales were on a cash basis only.

Tallow imports should approach 290,000 tons in 1986. EC sales of tallow have risen, while U.S. sales have lagged below the peak recorded in 1983. Cottonseed oil imports from the United States remained subdued in 1984. Total vegetable oil imports from all sources may rise to about 361,000 tons in 1986. Strong demand and smaller supplies of domestic cottonseed oil will spur vegetable oil import needs, probably leading to more sunflower oil purchases. The EC, Spain, Argentina, and Brazil will probably be the favored suppliers because of lower prices.

Egypt's tobacco imports should approach 64,000 tons in 1986, with much larger purchases from Brazil, Turkey, and Greece. Imports of U.S. tobacco will again depend upon the availability of concessional

financing. About \$65 million in GSM-102 financing provided most of the U.S. tobacco Egypt bought in 1984. Even without GSM-102 financing, Egypt may purchase about \$75 million of U.S. tobacco in 1985. Three-year loans from commercial banks (without a U.S. Government guarantee under GSM-102) may satisfy the import needs of the Eastern Tobacco Company, thus effecting a net saving of foreign exchange by avoiding imports of finished cigarettes to meet the domestic production shortfall.

U.S. exports of seeds, beverage ingredients, almonds, and other specialty items to Egypt may rise in 1986 as regulations for private sector importers have been relaxed when they use the "own exchange" market for such purposes.

In summary, the overall value of U.S. agricultural exports to Egypt should continue to advance in 1986, possibly to \$1 billion, if adequate concessional credit arrangements can be negotiated. U.S. wheat sales should grow in 1986, again pushing the total of wheat and wheat flour beyond 3 million tons. Changes in Egypt's subsidy policy for imported feed grains could greatly increase corn sales in 1986, provided some new credit arrangements are developed.

Problems with rising expenditures for EC and Brazilian subsidies could open up opportunities for the United States by 1986 for greater sales of dairy products and frozen poultry. Efforts to be competitive in the international tourist and summer recreation business may cause Egypt to further liberalize import regulations on some processed foods by 1986.

Forecast of Egypt's Agricultural Imports in 1986

Value of Egypt's total agricultural imports should rise in 1986 to some \$4.6 billion or more, partly because of higher prices paid for cereals, oilseed products, and tea. Grain imports will probably exceed 9 million tons, including over 7 million tons of wheat and flour and over 2 million tons of feed grains.

Livestock, meat, and dairy product imports combined will approach \$1 billion in 1986. Live cattle imports from the EC will remain above 100,000 head. Egypt will continue to shop for less expensive beef in the EC and Latin America. Beef imports should remain above 150,000 tons in 1986, half of which may come from the EC and much of the rest from Latin America. Imports of beef liver and chicken parts from the United



During an average work day, one out of four Egyptians is packed into greater Cairo. Some 12 million people work or live in the capital city.

U.S. Agency for International Development

States also will probably hold at \$12 million annually. Frozen poultry imports in 1986 should again exceed 100,000 tons, with most of the supply coming from Brazil and France at prices below \$1,000 per ton.

Cheese imports should exceed 48,000 tons in 1986 (table 34), with the EC and the United States as principal suppliers. Imports of butter and butteroil may rise to about 52,000 tons, with the EC, Finland, and the United States as principal suppliers.

Tobacco imports should rise to about 64,000 tons as part of the effort to ease the cigarette shortage. Imports of finished cigarettes alone exceeded \$30 million annually during 1981-83 because local brands were in short supply. The value of all tobacco products imported should approach \$300 million in 1986.

Sugar imports should continue upward, probably exceeding 800,000 tons. The EC, Cuba, Brazil, and Eastern Europe will be the major suppliers. Sugar imports may rise some \$100 million in value, partly because of higher world prices. Price hikes for tea will be much greater because of export disruptions by India. The value of Egypt's tea imports may reach a record \$150 million in 1986.

Forecast of Egypt's Agricultural Imports in 1990

Egypt's total agricultural imports in 1990 should reach \$6 to \$8 billion (in 1983 dollars). Underlying this projection is the assumption that Egypt's foreign exchange earnings will increase at a moderate pace and that no massive land development projects will be implemented.

The total food consumption derived from population growth alone will certainly increase; we can project population growth more precisely than we can predict the exact commodity composition of Egypt's food imports. Furthermore, continuing change in consumption patterns will also affect the composition of imported agricultural products. In order to place bounds on the 1990 projections of major commodities imported, two sets of projections based on alternative scenarios are presented in table 33. Both alternative scenarios may be conservative from the viewpoint of import needs because both are based heavily on population growth as the major growth component of future Egyptian food demand.

Egypt's 1990 imported food bill may well exceed both sets of projections. Scenario A may be overly optimistic in assuming significant increases in domestic

Table 33—Production, consumption, and net trade of major commodities, selected years and projections for 1986 and 1990

Commodity	1970-75 average	1976-81 average	1982	1983 preliminary	1986 projected	1990 projected ¹ (Scenario A)	1990 projected ² (Scenario B)
<i>1,000 tons</i>							
Wheat and wheat flour:							
Production	1,770	1,864	2,017	1,996	2,142	2,407	2,100
Consumption ³	3,962	6,739	7,709	8,436	8,604	9,900	10,650
Net trade	-2,307	-4,874	-5,692	-6,440	-6,462	-7,493	-8,550
<i>Kilograms</i>							
Per capita consumption	112.6	165.6	173.3	184.5	176	180	193
<i>1,000 tons</i>							
Corn:							
Production	2,515	3,061	3,347	3,509	3,672	4,035	3,500
Consumption ³	2,694	3,841	4,428	5,189	5,605	6,875	8,000
Net trade	-178	-780	-1,214	-1,680	-1,933	-2,840	-4,500
<i>Kilograms</i>							
Per capita consumption	76.7	94.4	99.5	113.5	115	125	145
<i>1,000 tons</i>							
Rice:							
Production	1,643	1,590	1,635	1,641	1,724	1,949	1,641
Consumption ³	1,393	1,421	1,618	1,627	1,721	1,925	1,750
Net trade	250	168	17	14	3	24	-109
<i>Kilograms</i>							
Per capita consumption	37.4	35	36.3	35.6	35	35	32
<i>1,000 tons</i>							
Vegetable oils:							
Production	148	129	155	160	180	189	160
Consumption ³	302	407	528	490	541	677	750
Net trade	-154	-278	-373	-330	-361	-488	-590
<i>Kilograms</i>							
Per capita consumption	8.5	9.9	11.8	10.7	11	12.3	13.6
<i>1,000 tons</i>							
Meat:							
Production	344	445	512	521	563	625	525
Consumption ³	361	601	709	776	836	1,017	1,100
Net trade	-16	-156	-197	-255	-273	-392	-575
<i>Kilograms</i>							
Per capita consumption	10.2	14.7	15.9	16.9	17	18.5	20

See footnotes at end of table.

Continued—

Table 33—Production, consumption, and net trade of major commodities, selected years and projections for 1986 and 1990—Continued

Commodity	1970-75 average	1976-81 average	1982	1983 preliminary	1986 projected	1990 projected ¹ (Scenario A)	1990 projected ² (Scenario B)
<i>1,000 tons</i>							
Sugar:							
Production	591	652	729	746	816	851	746
Consumption ³	580	992	1,411	1,462	1,622	1,881	2,200
Net trade	11	-345	-686	-716	-806	-1,030	-1,454
<i>Kilograms</i>							
Per capita consumption	16.5	24.3	31.7	32	33	34.2	40
<i>1,000 tons</i>							
Pulses:							
Production	384	318	315	348	367	415	348
Consumption ³	421	435	430	418	442	483	538
Net trade	-37	-117	-115	-70	-75	-68	-190
<i>Kilograms</i>							
Per capita consumption	12	10.7	9.6	9.1	9	8.7	9.8

¹Scenario A (optimistic with respect to Egyptian production) assumes a 20-percent increase in production, a 10-percent increase in per capita consumption of the respective commodity, and an Egyptian population of 55 million in 1990 for corn, vegetable oils, meat and sugar. For wheat and rice, no increase in per capita consumption of the commodity is assumed; for pulses, a 10-percent decrease in per capita consumption is assumed.

²Scenario B (less optimistic) assumes no significant increase in production, straight-line trend projection of consumption of the respective commodity, and an Egyptian population of 55 million in 1990 for wheat, corn, rice, vegetable oils, meat, and sugar. For pulses, no decrease in per capita consumption is projected.

³Defined as domestic disappearance, including food, feed, seed, stocks, and waste.

production of major commodities. Such assumptions are based more on predictions of Egyptian agricultural officials than on data trends. However, if Egypt were to increase its petroleum revenues greatly, the development of new agricultural lands might be significantly accelerated. Barring this development, Egypt's food gap, heavily driven by population growth, will surely continue to widen as domestic self-sufficiency in most basic commodities further diminishes. Given the magnitude of the gap between domestic production and total consumption, the difference can only be bridged by continuing imports.

Wheat and wheat flour imports will rise to some 7.5 to 8 million tons by 1990, with an estimated value of \$1.5 billion. However, the wheat and wheat flour share of the total import bill will probably decline by 1990 as imports of other commodities grow relatively faster. For example, Egyptian Government projects to develop the livestock industry may cause feed grain imports to exceed 4 million tons by 1990. Corn alone will probably account for at least 2.8 million tons of the feed grain total.

Several assumptions apply to the projections of Egypt's imported wheat requirements for 1990. These assump-

tions were derived from an analysis of recent import, consumption, income, and demographic trends.

- The United States, EC, Australia, and Canada will continue to offer wheat on concessional terms. Egypt, thus, obtains over half of its imported wheat at real prices which are less than half the nominal prices because of concessional financing. With domestic production now providing less than one-fourth of Egypt's wheat and wheat flour consumption, the imported share of Egypt's wheat supply will probably grow so long as concessional financing is available.
- Egypt's wheat production may increase by up to 20 percent by 1990, reaching 2.4 million tons an-

nually. The wheat area in the fertile Delta will probably decline as farmers shift to more profitable crops regardless of the constraints imposed by crop rotation regulations. However, the decline in wheat area on small farms will probably be more than offset by greater plantings of wheat on public sector projects on reclaimed lands. This would cause the overall yield to decline, but rising yields in some areas of the Delta and improved technology should allow a slight rise in overall production.

- GASC will gradually add about 600,000 tons of wheat to public stocks by 1990 as modern storage facilities are completed near Alexandria, Safaga, Cairo, Dalmeita, and Suez.

Table 34—Imports of minor agricultural commodities, 1980-83, and projections for 1986 and 1990

Commodity	1980	1981	1982	1983 preliminary	1986 projected	1990 projected
<i>1,000 tons</i>						
Animal feeds, except soymeal	16	41	83	95	130	150
Poultry, frozen	76	125	52	120	170	100
Milk and cream, dried	43	67	71	95	115	120
Butter and butteroil	39	44	36	42	52	60
Cheese and curd	14	18	28	37	48	58
Eggs	4	31	19	24	25	20
Tallow	212	271	261	283	290	310
Soybeans	18	50	60	65	175	200
Peanuts	1	0	0	0	1	1
Sesame ¹	39	47	54	67	55	60
Oilcake and soybean meal	34	75	112	55	85	100
Apples, fresh	17	24	25	23	24	22
Fruit, dried	3	6	6	8	8	9
Fruit, preserved	1	2	2	2	2	3
Vegetable and fruit juices	1	1	1	1	2	2
Vegetables, canned	13	25	38	44	41	43
Coffee	4	6	7	7	9	9
Tea	38	39	44	47	50	56
Cocoa	1	4	2	2	2	2
Beverages, nonalcoholic	6	8	1	2	3	3
Tobacco	35	42	45	53	64	75
Bakery products	2	7	6	6	7	7
Pasta	1	2	1	1	1	1
Cereals, prepared	1	2	1	2	2	2
Margarine and frying fats	1	41	9	3	11	15

¹Includes estimates of unofficial border trade with Sudan.

- Per capita consumption of wheat products will remain near the 1982 level of 173 kg.
- The consumer price of subsidized bread will remain virtually constant in real terms.

The volume of imported wheat will probably rise by about 350,000 tons in 1985 and by about 300,000 tons annually during 1986-90, reaching about 7.5 to 8.5 million tons in 1990. The decline in the import growth rate in the late eighties is based on the assumption that, once stocks are built up to 1.6 million tons (from an estimated 1 million tons in 1982), further growth in stocks will diminish. A new program to expand the capacity of modern storage facilities would probably lead to even higher levels of imports.

Egyptian Government statements about the desire to achieve self-sufficiency in food usually omit any mention of wheat. Thus, Egypt will probably import about 80 percent of its wheat supply in 1985 and about 83 percent in 1990, assuming that recent trends continue, stocks are increased modestly, and per capita wheat consumption increases only slightly.

Egypt's domestic rice production should remain adequate to satisfy domestic consumption needs, but the surplus currently available for export will diminish completely by 1990 if the present per capita consumption levels persist.

Livestock imports and meat product imports will probably double the 1983 value of nearly \$1 billion by 1990. Beef imports will fluctuate depending upon the price of beef relative to other meats available on the world market. Despite rising domestic poultry production, Egypt will probably remain an annual importer of over 100,000 tons of poultry meat by 1990. The development of Brazil as a customer for Egypt's petroleum and Egypt's chronic shortage of meat may well force Egypt to modify plans to become self-sufficient in poultry meat.

Much larger imports of cheese and butter from the EC, and occasionally the United States and Oceania, are probable in the late eighties. By 1990, cheese imports may rise to about 40,000 tons, and butter imports may be slightly larger. Efforts to provide more milk may cause imports of dried milk and cream to reach 120,000 tons by 1990.

Despite generally expanding pulse production and gradually declining per capita consumption trends, Egypt will probably import at least 68,000 tons of pulses in 1990 to satisfy domestic consumption needs. However, if domestic production does not continue to increase substantially, pulse import requirements could easily approach 190,000 tons annually by 1990.

Vegetable oil imports will probably continue upward, possibly approaching 500,000 tons or more by 1990. The sources for these imports may be more diversified than during the early eighties. Imports may shift from U.S. cottonseed oil to other less expensive oils and to vegetable oils purchased from other sources. The development of new crushing facilities designed for soybeans and sunflower seed will also determine the exact volume of vegetable oils imported.

Sugar imports will continue to increase significantly as per capita sugar consumption continues to rise. By 1990, Egypt will probably be importing over 1 million tons of sugar annually. However, if present consumption trends continue and substantial increases in domestic sugar production are not forthcoming, sugar imports could easily pass 1.4 million tons in 1990.

Tobacco imports will rise to about 75,000 tons by 1990. Larger imports from Africa, Brazil, and Turkey are probable. The shares of the market supplied by the United States and China should decline unless some new trade arrangements are made and credit availability from U.S. sources improves.

Tallow imports will continue an upward trend due to increasing industrial uses, possibly reaching 310,000 tons by 1990.

Changes in trade policy may cause Egypt to become a significant importer of cotton, rice, onions, and fruit preparations by 1990.

Egypt's Agricultural Exports

Cotton is Egypt's traditional export and is still its most valuable agricultural export. Until 1979, in fact, cotton and cotton products were still more valuable than exports of petroleum and petroleum products combined, with cotton still accounting for up to 60 percent of Egypt's total visible exports (32). Since 1979, however, cotton has placed second after petroleum as Egypt's

most valuable export. Among agricultural exports, cotton is still the dominant commodity, accounting for nearly two-thirds of the total value of all agricultural exports during each of the last 5 years (table 35).

However, the sharp rise in petroleum exports and pressure to produce more food for the rapidly growing domestic market caused Egypt to place less emphasis upon agricultural exports in the late seventies. Exports of cotton, rice, onions, and oranges declined during the late seventies and early eighties. A shift away from bilateral trade agreements with the Soviet Union and Eastern Europe to cash markets has contributed to declining exports of most farm products as Egyptian commodities have apparently met stiffer competition in the Western markets. The Government has attempted to revive agricultural exports recently, but Egypt will have difficulty reaching the peak levels previously recorded for exports of most commodities, given the current growth of population and per capita consumption.

Public sector companies still virtually monopolize exports of 19 commodities which were important at the time State trading companies were formed in the early sixties. However, sugar, pulses, rice, onions, and garlic exports handled by these companies have declined sharply as increasing domestic demand has consumed the surpluses of these commodities which were previously available for export.

Egypt's agricultural exports peaked at nearly \$1 billion in 1974 when cotton prices were high and shipments of rice, oranges, and onions to the Soviet Union and Eastern Europe were substantial. Cotton exports accounted for \$713 million of the total. Egypt's agricultural exports during 1975-83 were about a third below the 1974 peak, mostly because of lower cotton prices and declining rice exports (table 35).

In 1983-84, Egypt resumed trade with the Soviet Union partly because the Egyptian building boom has created a strong demand for imported forest products which the Soviet Union can supply. Soviet imports of Egyptian agricultural commodities have climbed from a low of \$76 million in 1979 to \$171 million in 1983, when they represented 36 percent of total Soviet purchases from Egypt. However, the current level is still far below the peak of \$315 million in agricultural commodities which Egypt sent to the Soviet Union in 1975.

Egypt established customs regulations in 1983 to reimburse private sector exporters for customs duties paid to foreign governments on exportable vegetables, fruits, and other minor agricultural commodities. Also in 1983, Egypt and the EC amended their economic cooperation protocol to provide a 20-percent discount on customs duties paid on Egyptian exports to the EC.

Egypt's strategy to stimulate the growth of agricultural exports focuses on expanding sales in three market areas. First priority is given to greater sales in the markets where payments are made in convertible currency, particularly Europe and the Mideast. Cotton exports to the EC increased moderately in recent years, but not enough to offset the sharp setback in shipments to Eastern Europe. Sales of oranges, potatoes, canned vegetables, and specialty items to Saudi Arabia have increased and further gains are anticipated. Second priority is to expand sales through trade arrangements with Asian countries, particularly China and Japan. Strong competition from other suppliers has made it difficult for Egypt to expand agricultural exports to the EC, but duty concessions given to Egypt will provide excellent opportunities in the future. The third priority is to further expand sales through bilateral trade agreements, including the 1983 protocol with the Soviet Union.

In terms of the global cotton market, Egypt is now a minor producer but is still a major exporter. Egypt's specialties, long staple and extra-long staple, account for about half the world trade in these varieties.

However, the exportable cotton surplus has been eroded not only by production declines but also by increasing domestic consumption which now exceeds 300,000 tons annually, compared with about 209,000 tons exported in 1983. Furthermore, renovation and expansion in the textile sector point to increasing consumption. In fact, Egyptian trade officials are reportedly worried about their continuing ability to service longstanding export customers. Recent reports further indicate that trade officials are seriously considering lower grade cotton imports to meet domestic needs while continuing to export high-quality cotton in raw form.

Egypt also plans to revive fresh fruit and vegetable exports through new marketing techniques and projects to expand production. Strong growth in domestic de-

Table 35—Agricultural exports by quantity and value, annual 1974-83

Commodity	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983 ¹
	Tons									
Cotton	232,240	185,100	165,176	143,900	132,950	146,584	164,066	180,566	205,100	208,892
Rice	136,257	104,310	311,039	223,000	146,837	96,878	182,400	134,900	21,000	24,200
Potatoes	99,838	47,565	15,673	166,121	97,830	113,072	143,860	96,165	68,000	139,815
Onions	103,857	70,042	71,279	87,756	67,010	23,928	48,340	19,717	11,000	35,269
Oranges	162,494	210,317	170,107	170,547	132,815	74,592	109,513	113,720	182,000	147,805
Sugar	50,751	43,907	39,249	58,245	48,539	35,993	9,645	8,479	4,000	1,800
Cottonseed cake	23,466	38,237	27,081	13,339	21,268	11,122	6,371	4,000	1,000	1,200
Peanuts	7,470	7,979	8,947	14,270	13,158	5,280	10,976	14,000	5,000	3,200
Flax	5,889	12,453	22,126	16,292	11,688	10,598	8,041	7,000	6,500	8,000
Tomatoes	1,976	2,188	2,475	3,845	2,061	4,172	2,057	4,800	6,000	8,500
Pulses	618	405	3	1,405	0	457	149	100	100	1,300
Lemons	97	97	557	95	258	491	519	800	900	1,100
Grapes	182	142	133	57	30	76	84	111	300	400
Dates	352	657	680	700	810	900	800	700	800	1,500
Beer	2,531	3,767	714	120	0	0	20	30	20	20
Wine	1,318	2,712	1,600	1,922	3	1,000	900	1,200	1,100	1,200
Honey	51	89	90	100	116	13	10	18	15	16
	1,000 dollars									
Cotton	714,496	513,848	395,546	455,877	336,173	382,296	423,413	457,353	408,700	441,546
Rice	101,573	62,548	79,157	59,755	51,120	31,563	63,700	49,000	11,000	10,200
Potatoes	15,976	8,220	43,848	41,929	15,013	26,901	32,501	25,548	38,000	30,653
Onions	19,402	17,808	26,158	28,320	12,979	4,725	11,646	6,767	6,000	11,723
Oranges	28,534	47,636	48,888	54,974	53,014	22,351	38,940	47,157	43,000	72,444
Sugar	24,978	36,180	25,560	26,196	18,482	12,705	4,307	3,100	1,000	700
Cottonseed cake	3,174	4,363	3,364	2,497	3,857	2,015	1,340	500	250	300
Peanuts	6,496	6,992	5,319	9,739	9,935	5,800	10,434	26,000	4,000	2,700
Flax	4,577	5,100	13,204	20,259	9,009	8,940	6,739	8,000	9,000	4,000
Tomatoes	646	856	1,600	1,697	1,350	1,548	986	2,000	3,000	4,200
Pulses	292	312	3	739	0	334	103	70	50	400
Lemons	21	22	181	243	176	168	157	790	800	900
Grapes	77	72	89	69	24	58	67	80	250	300
Dates	207	483	480	500	560	700	1,000	1,000	1,250	1,100
Beer	561	923	355	58	0	0	30	40	40	50
Wine	400	1,360	1,132	2,645	3	1,011	1,200	1,500	1,400	1,400
Honey	58	112	120	150	463	48	40	50	50	60
Other ²	61,879	92,847	99,270	105,000	110,100	100,744	112,775	94,611	112,300	97,324
Total	983,347	799,682	742,834	810,647	622,258	601,907	709,378	723,566	640,090	680,000

¹Estimated.²Other minor commodities include jasmine paste, spearmint oil, and essential oils.

Source: (4, 39).



Industrial employment in Egypt has grown in recent years as agricultural employment has stabilized.

World Bank

mand and lagging production caused Egypt's exports of fresh fruits to decline in recent years. Vegetable exports have declined even more severely, particularly onions. Egypt's advantageous climate, location, and labor supply for providing horticultural exports are offset to some degree by Egypt's trade policies and an atmosphere which has not attracted much foreign investment in the agricultural sector. Nevertheless, new public sector projects and a few joint ventures are underway to expand production and exports.

Exports of oranges, the second most valuable export crop during 1981-83, rose to 182,000 tons in 1983, up 36 percent. Egypt's exports of oranges declined from a peak of 247,000 tons in 1973 to only 75,000 tons in

1979 before larger sales to the Soviet Union allowed a recovery to 135,000 tons in 1982. Higher prices received through trade agreements enabled Egypt to boost the value of orange exports from \$22.6 million in 1979 to about \$85 million in 1983, with the largest sales going to the Soviet Union. This increase was the major bright spot for food exports in 1982-83.

Saudi Arabia is a growing market for Egyptian oranges. Egypt's orange exports to Saudi Arabia reached 30,000 tons in 1983, double the 1976-78 average. During 1980-82, the leading export markets for Egypt's oranges were the Soviet Union, 43 percent; Saudi Arabia, 23 percent; the EC, 10 percent; and Yemen Arab Republic, 9 percent. However, Egypt may need

to import frozen concentrate orange juice in the future to satisfy part of the rising domestic demand. The public sector citrus exporting firm would thus be able to purchase more fresh oranges from growers for exports at attractive prices.

Potato exports increased in the late seventies when cooperatives were given a chance to handle marketing functions which were previously a Government monopoly. Potato exports rose 21 percent in 1980 to about 144,000 tons valued at \$32.5 million, and held at approximately the same level in 1983. The United Kingdom accounted for over two-thirds of Egypt's potato exports during 1981-83. Lebanon and Saudi Arabia were the other major markets. Domestic shortages caused the Government to restrict potato exports in 1981 and 1982 to prevent excessive price increases. Egypt's potato exports to the United Kingdom fell from 100,000 tons in 1980 to 54,000 tons in 1981, and the value fell from \$24 million to \$15 million.

Other agricultural exports are all minor compared with cotton, oranges, and potatoes. Onion exports, for example, reached over \$28 million in 1977, but now average less than \$10 million annually. Tomato exports have increased significantly since 1980, but their value is still less than \$5 million.

Marketing Problems, Programs, and Prospects

This section discusses the Egyptian Government's role in marketing, product awareness, constraints on future purchases of U.S. commodities, current programs to reduce these constraints, the general marketing outlook, and foreign competitors' activities.

Government Role in Marketing

Since the sixties, Government agencies and public sector companies have dominated Egypt's agricultural trade. Three distinct ministries (Economy, Supply and Home Trade, and Agriculture) import and market agricultural commodities. Furthermore, some firms which export commodities were once privately owned, but the Government has purchased or received all of their ownership shares during the last 20 years.

Public sector companies under the Ministry of Economy became the dominant importer of strategic

foodstuffs in the sixties when the upward trend in agricultural imports began. As business increased, the Ministry of Supply and Home Trade established a special agency, the General Authority for Supply of Commodities, to procure most of the imported commodities for distribution to the cooperative stores. The share of agricultural imports handled by GASC increased to a peak of about 75 percent during 1977-80, and declined slightly during 1981-83. An overview of the various Government agencies involved in the procurement of agricultural imports and their relative dominance of the import market is presented in appendix table 2.

The Ministry of Supply and Home Trade handles imports of tobacco, tallow, and other imported items used by factories. These imports have increased rapidly in the early eighties. Imports by private sector traders increased sharply during 1978-81, declined sharply in 1982, then increased in 1983. Private importers now purchase most of their foreign exchange from Egyptians who bring back savings from work in other countries, through the mechanism of the "own exchange" system described in previous sections.

The Ministry of Agriculture is an important importer of live cattle from Europe, agricultural seeds, and other farming inputs. Some commodity imports are handled directly by relief agencies and thus are not handled by the Ministry of Supply and Home Trade.

Marketing and Product Awareness

Cooperative stores (called "gamayaas") account for a significant share of the retail food sales in Egypt, especially in the cities. Their operation is similar to that of a moderately large American grocery store. This management system works well in urban areas where private individuals operate a store under a franchise arrangement with GASC. In less affluent areas, GASC usually operates the stores directly and hires a local manager. Under the GASC franchise, the stores are allowed to sell at higher profit margins certain food items which are not incorporated into the subsidy system. GASC delivers the subsidized commodities to the stores at fixed prices which are usually less than their respective costs. Thus, the accounting for the subsidized commodities is usually done by GASC. Managers of the stores are responsible for the safe

keeping of the food items and the refrigeration of meat and other perishables.

Egyptian consumers have developed their own acceptance standards and notions for imported food products. GASC buyers are usually quite sensitive to these consumer preferences. For example, most Egyptians never actually see U.S. wheat, but they appear to like the white balady bread which contains a high percentage of wheat from the western United States. Earlier complaints about the quality and nutritional value of bread in the seventies were reduced by technical assistance provided by the Flour Millers Federation in order to further develop the Egyptian market for U.S. wheat.

Various processed food products from the United States have been introduced to Egyptian consumers with varying degrees of success. For example, sales of canned pineapples were slow in the midseventies because few Egyptians were familiar with this product. Even canned peaches appear to face a limited market because of consumer unfamiliarity. In contrast, apples have been a conspicuous fruit item for decades and canned apples for preparing pies and various bakery products are now in great demand. When imports of fresh apples and pears were temporarily banned in 1982, Egypt became a surprise market for canned pears from the United States. Thus, consumer familiarity with various imported fresh fruits has apparently created demand for processed fruit products.

Beans which resemble the white dry broad beans so familiar in every Egyptian household are favored over other colors or varieties not seen before by consumers. Many Egyptian consumers are apparently now familiar with blackeyed peas as 1,000 tons were purchased from the United States in 1983. Great Northern dry beans may also do well in the future when supplies of dry beans from other sources are scarce.

Constraints on Purchases of U.S. Commodities

The major constraints on U.S. trade with Egypt include credit, Egyptian trade policy, the Egyptian infrastructure, and foreign debt.

Credit. Credit availability appears to be the major constraint to potential expansion of U.S. agricultural exports to Egypt. Shipments under PL 480, Title I, began in 1955, were suspended with the war in 1967, and

then resumed when diplomatic relations between Egypt and the United States were restored in 1974. However, the amount of funding through this method soon became inadequate for Egypt's rising food import needs. Therefore, USAID financing of imports through the CIP was used for tallow and several other commodities at various times in the seventies. CIP loans became the flexible alternative to provide Egypt funds for importing an assortment of commodities in the late seventies and early eighties. Following the riots related to changes in bread prices in 1977, financing under CIP increased markedly, reaching \$232 million in 1978. However, concern about the rise in Egypt's foreign debt tended to reduce the emphasis upon CIP loans in 1982 and 1983 when grants were emphasized.

The mix of concessional financing became more diversified in 1983 when financing under GSM-102 and GSM-5 (blended credit) was expanded. Also, the GSM-102 financing for wheat flour purchases by Egypt was supplemented by a new PIK program for exports. This program allowed exporters to deliver wheat flour to Egypt and to collect enough wheat from CCC stocks to allow a reasonable profit.

In addition to the volume of food delivered through PL 480, this financing mechanism apparently enhances Egypt's credit worthiness and allows Egypt to get more credit from other countries. CIP financing from USAID prior to 1982 usually had the same terms as PL 480—that is, a 10-percent down payment, 2 percent interest during a 10-year grace period, and a 3-percent interest rate plus principal repayment schedule of 30 years. In the past, CIP grants rose when the Egyptian Government became more concerned about foreign debt servicing.

Other creditors include France, Australia, and Canada as sources of short-term financing for imports of wheat and flour. Denmark became an excellent credit source for large purchases of beef and cheese in 1982. Chase Manhattan, Bank of America, and other private financial institutions have provided short-term credit for Egypt to buy certain foods with GSM-102 financing.

When interest rates were high, Egypt was apparently reluctant to buy U.S. products through CCC financing. Interest rate buy-downs for CCC may encourage Egypt to buy more U.S. corn. Indeed, Egypt has purchased corn and vegetable oil through CCC financing in the



Egypt's principal port, Alexandria, handles bulk, liquid, and containerized cargo. Traffic in the port often exceeds capacity with resultant delays of delivery.

U.S. Agency for International Development

past. If interest rates decline, these 3-year loans may again be attractive to Egypt.

GSM-102 credit guarantees to large commercial banks have also helped facilitate sales of corn to Egypt. The combination of GSM-102 guarantees and GSM-5 credits for large purchases has been called "blended credit." These methods of financing provided funds for Egypt to purchase about 1 million tons of U.S. grain in fiscal year 1983.

Private sector credit sources are still relatively scarce. A number of banks capitalized with Arab money opened in Cairo in the late seventies. These Arab-African banks have concentrated on development loans. Furthermore, as Egypt's relations with other

Arab countries improve, some new financing may evolve. The Persian Gulf countries, including Saudi Arabia, provided about \$2 billion in economic aid to Egypt in 1977, but this capital flow stopped in 1979 when Egypt signed the Camp David peace treaty with Israel. In contrast, the Islamic Bank in Saudi Arabia has been very active in financing food imports by other Arab countries.

A number of international banks have opened branches in Cairo, but most of their loans are made for large trade deals and to public sector firms or directly to the Egyptian Government. Small private sector importers still have trouble obtaining adequate financing in Egypt.

Trade Policy. Sales involving concessional financing are apparently preferred by the Egyptian Government, but the reception for prospective cash sales varies. Egypt's cash purchases of U.S. farm products not related to PL 480 or CIP loans reached a record of about \$500 million in 1981. Larger cash purchases of wheat will help offset the recent sharp reductions in cash purchases of a number of other commodities such as poultry meat, eggs, and apples. However, unfavorable decisions by the Import Rationalization Committee hurt cash sales of a number of U.S. farm products in 1982. Efforts by U.S. trade teams and diplomats to rectify this damaging situation may succeed in stimulating a recovery in U.S. commercial sales of some items.

The United States does not receive any preferential tariff treatment on commodities imported by private traders even though the United States is Egypt's major food donor. The U.S. market share of Egypt's agricultural imports is diminishing as preferential trade arrangements have allowed larger imports from the EC, the Arab Common Market, Yugoslavia, and Latin American suppliers.

The shift back to greater emphasis on bilateral barter agreements tends to favor some U.S. competitors for certain commodities, although these agreements probably account for less than 5 percent of Egypt's total agricultural imports. For example, Egypt is again importing more forest products from the Soviet Union and Eastern Europe in exchange for cotton, textiles, jasmine paste, and light manufactures. Egypt is also expanding exports of textiles, herbs, and specialty farm products to the United States, but the importing firms seldom have connections with those exporting bulk farm products.

Infrastructure. The port at Alexandria on the Mediterranean Sea handles over 70 percent of the food imported into Egypt. The port facilities are very congested virtually year round. During the summer of 1984, for example, an average of 14 ships arrived daily, and the typical delay for berthing was 3 days. The GASC has five ship unloading berths for its exclusive use, and they are used primarily for unloading wheat. Private importers sometimes sustain losses when port congestion causes ship owners to incur demurrage charges, and perishable products like

frozen poultry sometimes spoil because of delays in unloading and distribution.

The general lack of refrigerated trucks also creates the risk of spoilage problems during the inland distribution of very perishable imported products. This problem has caused Egypt to plan larger imports of live cattle from Europe for fattening out in public sector feedlots. The locally slaughtered beef is thus in greater demand because customers prefer to avoid the risks associated with imported beef which may have spoiled because of port congestion or delays in the distribution system.

Cold storage facilities in primary distribution sites near Alexandria, Cairo, and Port Said may now be adequate to store imported meat. However, congestion in Alexandria remains a great problem, and new refrigerated storage facilities are needed in the secondary cities and smaller towns throughout Egypt (38).

Grain storage facilities have generally been inadequate in the past. Most of the grain is stored in open-air depots (called "shounas"). Losses from birds and rodents have been very substantial at times. However, USAID financing has helped Egypt build modern storage facilities since 1981. The modern facilities in Alexandria, Cairo, Suez, Port Said, Safaga, and Aswan should soon have a combined storage capacity of 1 million tons of grain.

Foreign Debt and Debt Service Payments. The liberal foreign exchange spending atmosphere of 1979-81 was followed by greater caution in 1982 as foreign debts rose to about \$17 billion. Interest payments due in 1983 alone exceeded \$1.3 billion. Fortunately for Egypt, however, a considerable portion of the foreign debt consists of low-interest loans. Some of these loans may be forgiven just as some of the PL 480 debt payments were offset by grants to Egypt for general budgetary support. However, the current account deficit probably surpassed \$2.5 billion in 1984, in sharp contrast to the slight surplus of 1983. Remittances, Suez Canal tolls, and inflows of funds from international banking operations in Egypt covered part of the \$7 billion trade deficit in 1982. The trade deficit probably remained over \$8 billion for 1984 as imports rose to about \$12 billion, and exports showed little growth.

Current Programs To Reduce Constraints

Sales of tallow, cottonseed oil, tobacco, and corn under CIP loans to public sector companies have partially offset the previously discussed constraints, giving U.S. exporters sales opportunities despite stiff international competition. Demand for tallow, cottonseed oil, and leaf tobacco by Egypt's factories is far greater than domestic supplies.

The original objective of USAID's CIP program was the provision of commodities needed by Egypt's industrial establishment. That objective was broadened in 1977 to also provide commodities needed to improve the overall Egyptian economy. This change led to CIP financing for sales of frozen poultry, lentils, and eggs between 1977 and 1981. Problems then evolved with the use of CIP funds for foodstuffs, and financing through this method was again restricted to the original list of commodities.

Corn imports by private importers would help reduce the current constraint involving the monopoly on imports by GASC. Since GASC must sell corn to feed mills for about \$60 per ton, any price paid for international procurement above this amounts to a subsidy. Thus, GASC hesitates at increasing corn imports, contributing to a severe feed shortage during recent years.

In addition to the 1.5 million tons of wheat and wheat flour financed through Title I of PL 480, Egypt was scheduled to buy about 1 million tons of U.S. wheat with cash purchases and GSM-102 financing in 1984.

Marketing Outlook and Constraints on U.S. Exports

U.S. sales of farm products to Egypt will probably fluctuate. The Import Rationalization Committee will probably continue to base commodity import decisions largely on the availability of concessional financing and international commodity prices with relatively little emphasis on quality considerations. Financing is the key factor for increasing the U.S. share of the large and growing Egyptian market.

Greater flexibility and new programs characterized U.S. financing of agricultural products to Egypt in the early eighties. The wheat flour PIK subsidy arrangement through the \$123 million provided under GSM-102 guarantees and the \$44-million sale of dairy products for local currency were two financing innova-

tions for Egypt in 1983. The United States must develop other flexible financing for sales of farm products to Egypt in order to maintain or enlarge the U.S. market share.

Egypt is a potentially sizable market for many U.S. farm products. Any new type of revolving credit arranged by USDA would probably be well received in Egypt. The value of U.S. agricultural exports to Egypt may total \$1.7 billion by 1990 under current arrangements whereby bulk items financed on concessional terms are imported duty free by the public sector.

Egypt's prospects for petroleum exports and the world market price of petroleum will strongly affect the magnitude of its food imports. The greater the value of petroleum exports, the more foreign exchange Egypt will have to pay for purchases of U.S. farm products and to repay its debts promptly. In fact, Egypt's foreign exchange position is highly determined by external factors: world oil prices, Suez Canal traffic volume, international tourism, and the flow of remittances from workers abroad (32).

The United States must be bolder in its concern about changes in Egypt's trade policy. Because nearly 80 percent of the food imports are handled by GASC and because so much of the trade involves concessional financing, the United States potentially has more influence than is currently exercised in trade policy negotiations. However, given the level of EC commodity surpluses, EC trade policy, and the relatively high value of the dollar, the United States will probably face stiff competition in the Egyptian market.

Credit Outlook. Egyptian credit availability will probably be the limiting constraint for further development of the U.S. market share of Egypt's agricultural imports for the remainder of the decade. With the availability of concessional financing, Egypt could become a \$2-billion annual market for the United States before the end of the decade. However, with the reality of reduced PL 480, Title I financing for Egypt in 1983 and 1984, and further reductions projected for fiscal year 1985, the U.S. market share may not increase significantly.

Furthermore, the decline in CIP financing of farm products from a peak of \$232 million in 1978 to about \$94 million in 1983 contributed to the rising interest in

blended credit and GSM-102 financing. Blended credit in 1983 consisted of 80-percent GSM-102-guaranteed loans and 20-percent CCC credits for wheat, corn, and a small amount of tallow. The GSM-102 financing carried an interest rate of about 11 percent for 3 years with the funds provided by private international banks, while the GSM-5 credits from CCC were interest free. In the past, Egyptians had problems with CCC credits because American banks waited for days to record their repayments of CCC credits and charged interest during the delay, which was actually caused by the banks and beyond the control of the Egyptian Government.

Egypt must compete with a number of other countries worldwide for GSM-102 financing allocations. About \$4.5 billion was allocated for GSM-102 credit guarantees in fiscal year 1984, although a much larger sum appears to be needed. Changes in U.S. credit programs and policies in the last 3 years have caused Egypt's share of U.S. agricultural exports through Government programs to decline sharply.

Egyptian Purchases and U.S. Supplies. The United States is apparently viewed by Egypt as a major supplier of essential commodities with a readily available surplus of most commodities in any given year. This perception has meant that for Egyptians the key to food security is good relations with the United States. Unfortunately for U.S. exporters, however, the United States is apparently simultaneously viewed as a residual supplier of a number of commodities, particularly dry milk, butter, cheese, pulses, and poultry meat.

The Egyptian Supply Mission in Washington monitors supplies of U.S. food items and reports to Cairo on attractive price opportunities. When the United States has a large surplus of a given commodity, buyers at the Supply Mission may explore purchases under concessional financing. However, their activities and attitudes may not necessarily coincide with those of the IRC members in Cairo who may not fully understand the surplus supply situation in the United States and the potential for concessional financing.

For example, prices of U.S. farm products increased sharply in the summer and autumn of 1983 following a drought and crop reductions related to the PIK program. These events led Egyptian procurement specialists to search elsewhere on the international market for purchases of vegetable oils, tallow, and feed grains,

reneging on \$25 million in blended credit set aside for vegetable oils and \$4.5 million for tallow. However, world prices for these items continued to rise following the cancellation of Egypt's plans to buy them in the United States.

Another factor which may not favor U.S. suppliers is that the present net value of purchases of U.S. farm products obtained through PL 480 financing is much less than the nominal value. However, some new buyers for GASC may not consider this factor when comparing spot prices on the international market. Therefore, U.S. exporters need to keep Egyptian importers informed on changes in their prices and those of competitors to prevent cancellation of plans to use available credit.

Egypt became concerned in late 1983 when corn prices increased rapidly due to the short crop in the United States. The Egyptian Supply Mission in Washington stepped up cash purchases of U.S. corn when they saw prices increasing at an alarming rate. Such cash purchases, however, tend to be exceptional.

One of the most formidable impediments to an increasing U.S. share of the Egyptian market, however, is a factor over which suppliers have no control: the relative value of the dollar compared with other international currencies. Between 1981 and 1984, the dollar appreciated against each of the five major currencies most important to U.S. agricultural trade. The German mark, Japanese yen, British pound, Dutch guilder, and Canadian dollar have all declined significantly since 1981, effectively raising prices of U.S. commodities on the international market.

For some commodities, the importing country's preference for U.S. quality helps offset the increasing prices caused by the strong dollar. However, the Egyptian market tends to be extremely price sensitive, especially within major commodity groups, placing U.S. suppliers at an increasingly competitive disadvantage to major suppliers in the EC and Australia during 1981-84. However, the dollar will probably stabilize or decline against the major currencies in 1985, helping U.S. suppliers competing in the Egyptian market.

Foreign Competitors' Activities. Competition from international suppliers for specific commodities fluctuates widely from year to year. Egypt's worsening

foreign exchange position has caused Egypt to sharply reduce cash purchases of such U.S. products as poultry meat, eggs, and apples which were doing well during 1979-81. This factor, combined with higher effective real prices attributable to the strong dollar, has especially hurt some of the higher value products for which concessional terms are not available.

U.S. exports of essential bulk commodities shipped to Egypt under concessional financing remain strong. However, the volume of even these commodities can fluctuate widely depending upon Egyptian trade arrangements with competitors. For example, France and Australia have surpassed the United States as suppliers of wheat to Egypt in some recent years. Programs sponsored by the Ministry of Agriculture to increase rice yields caused Egypt to turn down offers of U.S. rice purchases on concessional terms in 1982, but a grant of 7,000 tons from the EC was accepted.

The EC has offered very attractive credit to Egypt at various times for wheat and wheat flour. The EC has greatly expanded sales of dairy products and sugar to Egypt through export subsidies and has also offered very competitive credit packages for large sales of wheat flour and other commodities such as cheese and butteroil. As a result, Egypt now obtains about 30,000 tons of butteroil and 20,000 tons of cheese annually from the EC.

Wheat is the major U.S. agricultural export to Egypt, usually accounting for over 40 percent of the value of total agricultural exports to Egypt. Competition from French wheat flour was stiff in 1981-82. However, the United States emerged as the dominant supplier of Egypt's wheat flour imports in 1983 partly because the PL 480 sales in 1982 were delayed until 1983 for shipment. Flour millers received wheat from CCC stocks through a PIK program which permitted them to sell the wheat flour to Egypt for \$155 (or less) per metric ton, in contrast to a cost-insurance-freight price which would have equalled about \$195 per ton without the program. Egypt is now the largest export market for U.S. wheat flour.

Other significant international wheat suppliers for Egypt include Australia and Canada. Australia had an agreement to ship about 2.1 million tons of wheat to

Egypt in 1984. Most of the wheat shipments delivered to Red Sea ports are from Australia. Canada signed agreements with Egypt to provide 625,000 tons of wheat and 5,000 tons of tobacco in 1984. Despite problems with its 1983 tobacco crop, Canada delivered the specified quantity.

European countries are very active in successfully promoting dairy products in Egypt. For example, French dairy products are advertised in newspapers and on television. Finland's sales of butter and cheese are enhanced by small trade shows on visiting boats and in hotels. Furthermore, some of the larger hotels frequently feature a week-long menu of German, French, Danish, or Swiss food. Such promotion by U.S. competitors apparently yields significant trade benefits.

New Directions for Egypt's Trade Strategy

Egypt's mounting consumption of imported food will probably continue to increase for at least the remainder of the decade. Annual fluctuations due to an inconsistent imports policy will probably continue, however. Egypt imported over 8 million tons of grain in 1984. By 1990, total grain imports could easily reach 10.5 million tons, including 7.5 million tons of wheat and flour and 3 million tons of feed grains. Imports of livestock products will continue to rise rapidly because of unsatisfied demand and an array of bargains available from international suppliers. Dependence on imported food will probably grow, despite very ambitious projects to develop more desert land for agriculture. Greater imports of feed grains and live cattle will tend to understate the rising dependence on imported agricultural products, but Egypt will not be self-sufficient in agricultural production in the foreseeable future.

New agricultural production projects to stimulate Egyptian exports of horticultural products and high-value processed foods could help offset the growing bill for food imports. This trade approach is the agricultural strategy now pursued by certain other Middle Eastern countries where Government planners are not so reluctant to import a wide array of foodstuffs, in contrast to Egypt. The shift in roles from that of a traditional exporter of sugar, cotton, and pulses to the role of a large importer of these same commodities at various times has apparently bothered Egyptian Government planners. However, this strategy is more

prevalent in Israel, Syria, and some other Mideast countries. A reduced emphasis on traditional trade patterns and greater emphasis on the inherent financial advantages of importing commodities which Egypt traditionally exported can be expected in the future. This policy shift could open up the Egyptian market for U.S. rice suppliers, for example. Also, imports of concentrates to prepare fruit juices for export may change the setting for restricted imports of fruit products.

In summary, Egypt is certain to remain a major food importer for the foreseeable future. Given the constraints of its limited land base, rapid population growth, lagging agricultural production, complex cropping system, and distorted incentive system due to long-standing policies, Egypt's "food gap" can only be bridged by massive food imports in the short and medium term. In the long run, Egypt has the potential to once again become self-sufficient in most basic foodstuffs. Whether or not this potential will be realized remains to be seen.

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Appendix table 1—Changes in Egypt's agricultural trade policy, 1952-82

Item	1952-61	1962-66	1967-72	1973-76	1977-81	1982
Government role	Grain imports were relatively small. Ministry of Supply and Home Trade took over grain imports from private firms. Private firms were taken over by public companies, often as shares purchased with bonds.	Great rise in food imports by Ministry of Supply and Home Trade. PL 480 aid from the United States rose to a peak in 1965 of \$165 million and fell in 1966. Most major industries and trade were nationalized.	Public food imports fell as PL 480 and foreign exchange dwindled. As the 1967 Six Day War caused a break in U.S.-Egyptian relations, more trade with Communist countries through trade agreements was arranged.	Sharp increase in food imports by GASC. The renewal of relations with the United States in 1975 allowed a striking rise in food aid in 1975 and 1976. CIP financing was expanded to cover items not financed by PL 480.	Following Jan. 1977 riots, public food imports soared. Food subsidy costs rose from \$1.3 billion in 1977 to about \$2 billion in 1981. Government bakeries supplied more subsidized bread at half piaster per loaf through Jan. 1981. Then the price doubled as the size of the loaf was increased 25 percent.	Concern about rising dependence on food imports, over 50 percent of consumption, and slower growth in foreign exchange prompted change prompted formation of the Import Rationalization Committee. Temporary bans for poultry, eggs, apples, bananas, and other items followed.
Private firms	Traditional exports of onions and potatoes handled by private firms. Lebanese, Greeks, and Jews owned many trade firms and Pres. Abdul Gamel Nasser made them a target for nationalization.	Government firms given a monopoly for export of 20 crops. Private importers fled the country. Expansion of public firms and subsidies ended profit opportunity for private firms.	Strict laws on foreign exchange and lack of credit crushed remaining private traders. Individuals harassed for any mail order imports of food or household items.	President Anwar Sadat announced the "Open Door" policy. Many new private firms established, but the subsidy system and GASC imports limited trade in food. Private firms did better in autos, medicine, and durables.	Private firms expanded. Profits rose as a real estate boom encouraged more Malian investment in Egyptian banking. New laws allowed Egyptians to keep foreign currency accounts in local banks. Purchases of poultry, fruit, and processed foods rose.	New rules forcing private importers to deposit cash for letters of credit reduced trade opportunities. IRC upset private traders. Bans on food imports crippled private imports of semiluxury foods.
U.S. agricultural exports	Relatively small sales of wheat, corn, cottonseed oil, and tobacco began to rise.	Over 80 percent of the peak value of \$80 million in 1965 financed under PL 480.	Exports dwindled to a low of \$9 million in 1971. Small corn and tobacco sales remained, but no wheat.	Credit from grain firms brought a rebound for wheat and corn. Increases spurred by Arab oil money.	Imports' value rose to about \$1 billion in 1981, double 1977; more PL 480, CIP loans.	Imports of poultry, eggs, apples sharply set back but greater wheat sales kept the value steady.

Appendix table 2—Principal Egyptian importers of agricultural commodities

Importer	Commodities handled	Government policy	Share of trade:	
			1981	1982
----- Percent -----				
General Authority for Supply of Commodities (GASC) of the Ministry of Supply and Home Trade and public sector companies authorized to handle their tenders.	Wheat, wheat flour, corn, vegetable oils, dairy products, beef, poultry meat, tea, fish, coffee, sugar, mutton, sesame, canned meat, soy-bean products, lentils, dry beans, peas.	Waiver for import duties. Top priority for foreign exchange allocations. Plenty of funds for travel to locate bargain purchases. A major part of the subsidy system.	78 to 80	79 to 80
Ministry of Economy through public sector companies, Misr Company, Eastern Tobacco, Nasr Tobacco, and others.	Unmanufactured tobacco, cigarettes, tallow, hides and skins, and other items used in industry. Cotton occasionally imported.	Import duty of \$23 per kilogram of tobacco paid as traditional method of collecting revenue.	9	11 to 12
Ministry of Agriculture	Live animals for breeding and for slaughter, animal feed, seed, nursery stock, fertilizer, pesticides, and various inputs used for agriculture.	High priority given for allocation of foreign exchange. Duty-free entry.	2 to 3	4
Ministry of Defense	Selected food items for areas or items not always purchased by GASC.	Duty-free entry.	1	1
Relief agencies (such as CARE and CRS)	Dry milk, butter, bulgur, corn soybean blend, flour.	Duty-free imports because most items are donated.	1	1
International hotels, foreign bank or corporation personnel, diplomats	Processed foods, beverages.	When they use their own foreign exchange, import license granted more quickly, but they must pay the listed import duty, except for diplomats with duty-free entry.	5 to 7	2
Private	Snack food items, soft drinks, beer, wine, distilled beverages, apples, bananas, other fresh fruit and vegetables, canned food, meat.	Must pay import duties. Now must buy foreign exchange from own exchange depositors and prepay.	5 to 7	2

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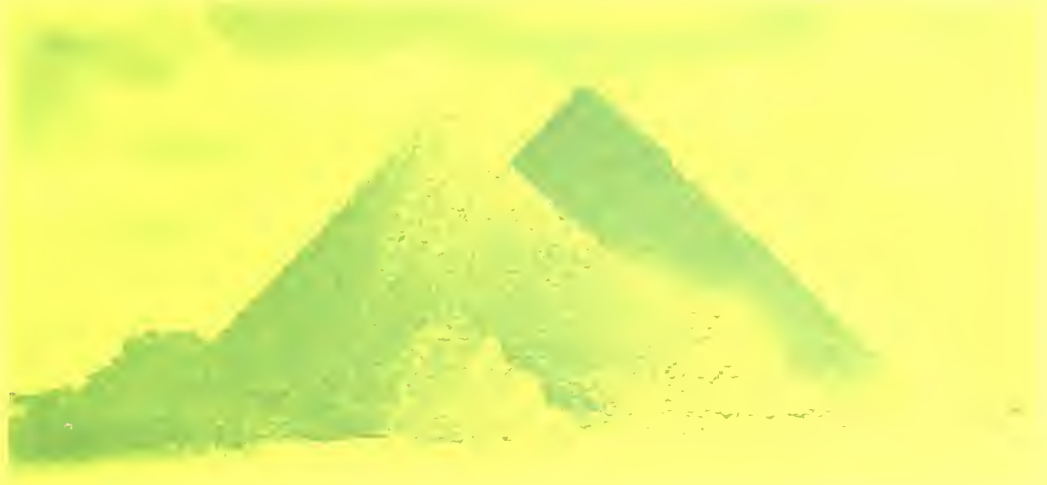
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Do you know . . .

which vegetable was produced in the greatest quantity in Egypt in 1983? What country was the biggest market for Egyptian cotton in 1982? What live animals are historically imported into Egypt in the largest quantities for red meat?



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